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JPRS-WER-87-074

14 SEPTEMBER 1987



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JPRS Report

West Europe

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WEST EUROPE

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FOREIGN MINISTER: NUCLEAR ARMS POLICY APPLIES ON ISLAND

Godthaab GRONLANDSPOSTEN in Danish 29 Jul 87 p 26

[Text] Copenhagen (TUSAGASIORFIK)--In response to Folketing member Pelle Voigt (Socialist People's Party), who asked Foreign Minister Uffe Ellemann-Jensen if Greenland is still a nuclear-free zone, the foreign minister said that Danish nuclear policy will continue to be respected in Greenland.

Uffe Ellemann-Jensen referred in his reply to the negotiations the Danish government initiated with the American government after the crash of the B-52 bomber near Thule in January 1968 to ensure that Denmark's nuclear arms policy was also being respected in Greenland and in connection with flights through Greenland's air space. The foreign minister continued:

"The press release the Foreign Ministry issued on 31 May 1968 said among other things 'that the result of the discussions in Washington was to reconcile the defense agreement of 1951 with Denmark's nuclear policy, thus making sure under international law that this policy will be respected in Greenland.'

"That is still true," Uffe Ellemann-Jensen declared.

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CSO: 3613/118

GREENLAND CABINET MEMBER LAUDS CHE GUEVARA IN ADDRESS

Godthaab GRONLANDSPOSTEN in Danish 22 Jul 87 pp 17-18

[Article by Josef Motzfeldt, Tuusi: "International Solidarity"; first paragraph is GRONLANDSPOSTEN introduction]

[Text] This article is based on the speech cabinet member Josef Motzfeldt made on the "International Solidarity" theme day at this year's Aasivik meeting in Iterlassuaq near Qaqortoq.

Freedom, shared responsibility, peace, hope, love, vision. These are some of the qualities that those opposed to international solidarity--colonialists and tyrannical regimes--want to suppress. At the somewhat stormy Aasivik meeting in Kangerluarsuk 2 years ago my speech dealt with the ideas of harmony, shared responsibility and solidarity among the people of the world across national boundaries. The main theme of this year's Aasivik meeting is international solidarity.

The people of all the countries in the world represent diverse directions and interests.

Ordinarilly we tend to simply identify various countries with their current governments or rulers.

Botha in South Africa, Pinochet in Chile, Chun Doo Hwan in South Korea, Reagan in the United States.

Even in our own history we have the story of Ungilattaqersuaq and Habakuk who were vanquished by the good forces of the people when they made a personal attempt to deprive the people of their freedom. The deeper meaning of international solidarity is that those forces who want shared responsibility and solidarity get together and support each other. This conviction is found in all the countries in the world, including those mentioned above. These forces have a common dream--the wish for an unrestricted, beautiful and peaceful world.

They are opposed to restrictions on free speech, they do not accept unemployment created by employers' greed for profits, they are opposed to the

destruction, pollution and misuse of nature, they do not accept the military arms race on earth or in outer space. They are against violence and arbitrary judicial rulings.

They want essential elements for life:

Open and lifegiving inspiration, participation in making decisions, influence, awareness of individual possibilities, wisdom, peace, the irrepres-
sible desire for renewal, fellowship, justice, freedom, love and the struggle to continue to exist on the basis of these conditions.

At the same time they defend their identity, nationality and ethnic heritage.

Some may question whether this defense of identity, nationality and ethnic heritage can be reconciled with the concept of international solidarity.

The answer is quite clear:

If we do not know where we came from and who our ancestors were, how can we know what we want and where we want to go?

How can we be part of international solidarity without being aware of our national identity!

If we want to participate in the realization of an unrestricted and transparent world characterized by cultural diversity and harmony, we must be sure to make use of our own scale of human values.

If "mutual support across national boundaries" is to be more than an empty phrase, we must seek energy from our own national identity to provide us with the strength needed to sort out external influences.

Effective strength depends on these things: Respect between generations, equality in its fullest sense and awareness of the roots of violence and the struggle against it. In other words, it takes a clear and open way of thinking in cohabitation, friendship and comradeship to put the ideas into practice.

Freedom

Freedom is a beautiful and essential quality.

The word naturally leads our thoughts to the people living under dictatorships and tyrannical regimes. Rulers in these countries can impose martial law. Editorial boards and other media centers are subject to censorship. Arbitrary censorship regularly keeps newspapers from coming out. Some editorial boards are so weakened by censorship that they simply have to settle for publishing their papers in the form of "unsalted food."

This is just one example of how suitable freedom of speech is as a tool in the fight against dictatorships and tyrannical regimes.

To illustrate this statement I would like to tell you about the experience of one of our Latin American comrades:

He lives in exile.

One day he received a visit from a person he didn't know. The guest, who arrived with a package that he handled with the utmost care, turned out to be a fellow countryman. He was also a refugee.

"Do you know what I have here?" he asked, pointing to the package.

"I haven't the vaguest idea."

He carefully laid the package on the table and leaned forward so that he was almost touching the other man's face. He whispered:

"It's a bomb!"

The host jumped and glanced at the door, but his guest continued calmly:

"I am on the side of the poor. I am on the people's side. Are you also?"

"Absolutely," the host assured him.

He put a hand on the package and asked: "Shall I open it?"

A stack of typewritten pages poured out of the package.

"A bomb!" the guest explained happily. "This novel will bring the government down!"

I think the story confirms the importance of being able to express one's opinion.

Let us continue to defend that right and become more skillful at using it.

What do we need with real bombs or other kinds of weapons?

If we really want to gather strength in the fight against the restriction of freedom in these countries we must know and value freedom of speech and make use of it in everyday life.

When we shut the world out of our homes, our political work, our job sites or our educational institutions and act as if we possess our fellow human beings, if we abuse our positions and limit joint influence, we are unworthy of participating in the struggle against the suppression of freedom. In that case we are abusing the beautiful qualities I mentioned and do not realize what lies behind these worthy ideals.

Therefore let us start with ourselves.

Shared Responsibility

That also applies to the quality of "shared responsibility." We are responsible for our lives, for fellow human beings and our relationship to them. Responsibility for life is not an unimportant obligation. We all experience moments of total powerlessness and hopelessness. At such times words or other forms of support even from quite alien people offer an indescribable image of shared responsibility. Let us never hesitate for a moment to be humble or to empathize with our surroundings and fellow human beings in need.

Peace

Peace is based on equality and harmony and is a prerequisite for them. Even in totally foreign countries there are allies and likeminded people who are occasionally overcome by despair in their peaceful struggle to make everyday life bearable.

Despair and inhuman treatment lead to violence and desperation.

Should one continue to accept this total neglect of people's abilities and their need to think?

Should one quietly put up with the unexplained disappearance of one's comrades from the face of the earth year after year?

Or should one equate violence and torture with tomato catsup?

Finally these comrades see no alternative to resorting to similar behavior.

"Violence must be driven out by violence." In such situations even bombs in the form of statements of opinion suddenly seem inadequate. Just think of the situation in South Korea lately.

But peace based on nonviolence requires international solidarity to the fullest extent.

International public opinion in support of the forces of good can exert pressure on violent and dictatorial regimes.

Hope

Hope is the spiritual driving force of life.

We hope and dream that our world will be used in a fair way.

We hope and dream that the forces of good will triumph.

We hope and dream that the people of the world can one day stand hand in hand.

We hope and dream that life will go on forever.

Love

Love for one's country and one's people is the guarantee of one's nationality.

Love also strives to improve vital living conditions. Doesn't the uncontrollable creative urge have its origins in love?

Che Guevara put it this way:

"Let me say at the risk of seeming ridiculous that the true revolutionary is guided by a strong feeling of love. It is impossible to think of a true revolutionary without this quality."

Vision

It is against this background that we must create the strength for "international solidarity."

Naturally we who are gathered here with a shared ethnic background and a shared future do not want our country and our way of life to be controlled by outsiders. On the contrary we must establish contacts with other nationalities who share our political, economic and moral goals.

Unless we do this our selfsufficiency will make us a confused, undynamic and narrowminded people--avoiding the desire of the forces of solidarity to improve the quality of life.

"Let us never demean ourselves to that level. It would be too humiliating."

We also need to remind each other that being open to other people is not the same as allowing ourselves to be swallowed up. When inspiration from others provides a source for renewal, it doesn't mean we are copying them--on the contrary, it is something that gives us fresh energy.

We have the strength to reach our goal--together we are strong. The colonialists and oppressors cannot stifle freedom, shared responsibility, peace, hope, love and vision. They have no power against these qualities.

Let us never forget that when freedom, shared responsibility, peace, hope, love and vision no longer exist in the world, life will lose its meaning.

Therefore we must always fight side by side to make sure that these qualities of life are never lost.

We all share this world, right?

6578

CSO: 3613/118

POLL SHOWS GORBACHEV SEEN MORE DESIROUS OF PEACE THAN REAGAN

Helsinki UUSI SUOMI in Finnish 12 Jul 87 p 9

[Text] The majority of Finns are convinced that Soviet leader Mikhail Gorbachev will see his reforms for the USSR successfully completed. Finns also believe that Gorbachev is more peace-loving than U.S. President Ronald Reagan.

These are among the findings of a poll that UUSI SUOMI and Iltalehti commissioned Taloustutkimus to conduct.

One of the purposes for the survey was to find out how adult Finns feel about USSR party leader Mikhail Gorbachev.

Taloustutkimus conducted the survey over the telephone on 7-8 July. A total of 323 persons, aged 15-65, of whom 165 were females and 158 were males, participated in the survey.

Thirty-seven percent of respondents responded that Finnish-Soviet relations have improved during Gorbachev's time in office. Only 1 percent felt that relations had worsened. Sixty-one percent said there had been no change.

Gorbachev Has Few Opponents

There were 86 percent of those who felt that changes in the USSR under Gorbachev were positive in nature.

Sventy-five percent believe that Gorbachev's objectives are opposed by few, 24 percent feel that his objectives are opposed by many.

A majority believes that he will reach his objectives.

Of men 89 percent, and 88 percent of women consider Gorbachev's work toward world peace to be credible.

The corresponding figures for U.S. President Ronald Reagan are 36 and 32 percent.

The Young Are More Pessimistic

As perceived by the respondents Reagan was given a very low score in wanting peace and disarmament: 64 percent felt that Gorbachev has done better in this regard, only 2 percent gave Reagan the nod, and 32 percent gave equally good or poor grades to both.

When comparing the opinions of different age groups, the greatest difference was seen in how future Finnish-Soviet relations were viewed. Less than 28 percent of those under 35 years of age predicted an improvement, while as many as 44 percent of those over 35 anticipated improvement.

The younger respondents had less faith in the efforts toward world peace than did the older persons.

Few responded with "I do not know" to the questions in this poll. Only 1 or 2 percent of respondents were not able to give an opinion.

Taloustutkimus selected its sample from Finland's phone directory, using the so-called equal interval method contingent on region, type of community, age and sex, so as to represent the total population.

	<u>All Respondents</u>	<u>Women</u>	<u>Men</u>	<u>Under 35 years of age</u>	<u>Over 35</u>
1. During Gorbachev's time Finnish-Soviet relations have...					
Improved	37	40	34	28	44
Remained the same	61	58	64	70	55
Worsened	1	1	1	2	--
Cannot say	1	1	1	--	1
2. During his time the changes have taken the USSR in a _____ direction.					
Positive	86	84	89	84	89
Negative	1	2	--	1	1
No change	12	14	10	15	10
Cannot say	1	1	1	1	0
3. In the USSR Gorbachev and his objectives have _____ opponents.					
Many	24	19	29	26	22
Few	72	77	67	72	72
None at all	3	3	3	2	4
Cannot say	1	1	1	--	2

	<u>All Respondents</u>	<u>Women</u>	<u>Men</u>	<u>Under 35 years of age</u>	<u>Over 35</u>
4. Will Gorbachev realize his objectives of internal reforms in the USSR?					
Yes	81	81	80	82	80
No	16	16	16	16	15
Cannot say	4	3	4	2	5
5. Are Gorbachev's efforts toward improving world peace credible?					
Yes	89	88	89	85	92
No	9	9	8	12	6
Cannot say	3	2	3	4	2
How about U.S. President Ronald Reagan's?					
Yes	34	32	36	40	30
No	61	63	58	57	63
Cannot say	5	5	6	2	7
6. Which has recently made a more effective contribution toward improvement in peace and disarmament?					
Gorbachev	64	63	65	57	70
Reagan	2	3	1	2	1
Both equally well/poorly	32	32	33	39	27
Cannot say	2	2	1	2	2

13002/9604

CSO: 3617/130

PRIME MINISTER REJECTS PROPOSALS FOR EC MEMBERSHIP

Helsinki HELSINGIN SANOMAT in Finnish 16 Jul 87 p 7

[Text] Finland cannot join the EC as an associate member, Prime Minister Harri Holkeri (Conservative) said in an interview published in the magazine SAASTOPANKKI.

"Membership is not possible, since the EC is a political entity, differing in this regard from the EFTA," observed Holkeri.

"Any kind of political collaboration must be excluded; we neither want it nor need it. At this stage we need to secure our mutual advantages with other EFTA countries," emphasized Holkeri.

According to Holkeri under all conditions Finland must try and be able to protect its trade with the EC. Holkeri could not, however, say what form future relations with the EC would take.

Holkeri says in the interview, that by now even the most doubting Thomases should be able to see that it is futile to base investments on inflation. According to him even the forest industries have deviated from their yearly fall call for devaluation. On the other hand, exports to the West are exceptionally strong this fall.

"This country must have and does have a real interest rate. No longer will investment profits be based on double digit inflation," Holkeri says. According to him this change in attitude has already "had an amazing and wholesome effect on our economic structure."

13002/9604

CSO: 3617/130

BRIEFS

PAPANDREOU VISIT TO CUBA CONTEMPLATED--The soothsayer is predicting that Andreas will make a "long voyage, very far, in three terms." Which means that until the end of the year, he is planning to travel to Cuba, Brazil and (perhaps) Argentina, because he has some obligations down there.... [Text] [Athens PONDIKI in Greek 12 Aug 87 p 4] /9274

KKE'S FLORAKIS SUCCESSION REPORTEDLY ASSURED--It seems that the issue of the succession in the KKE has been settled: Grigoris Farakos is replacing Kharilaos Florakis in everything now that the latter is on vacation, and Dimitris Gondikas is no longer considered a candidate for the position. Of course, everything will depend on whether Florakis' accession to the chairmanship of the party will be effected soon. Because, if it does not take place in a short time, and as we are proceeding to the next congress, the issue may be reconsidered from the beginning. [Text] [Athens PONDIKI in Greek 12 Aug 87 p 5] /9274

CSO: 3521/178

CAVACO SILVA'S, CABINET MEMBERS' IDEAL PROFILE DETAILED

Lisbon O JORNAL in Portuguese 7 Aug 87 p 3

[Article by Lurdes Feio: "The 'Robot' Minister"]

[Text] Discreet, loyal, reliable, effective, with his own initiative and ideas, but capable of accepting those of others: these are some of the requirements that the profile of Cavaco Silva's ministers must meet, as a rule.

Above all, Cavaco Silva demands that his collaborators in the executive branch be capable of keeping a secret when asked to do so. This would be one of the essential qualities of Fernando Nogueira and Eurico de Melo; which is why they have acquired, up until now, the right to be confidantes and advisors of the prime minister.

Cavaco Silva also imposes as a rule of conduct for his ministers that they avoid public disclosure of possible disputes or differences insofar as possible. Moreover, this desire to show an image of "cohesion and political solidarity" for his governments may actually have prevented not only the removal of some less effective ministers, but also the public disclosure of "friction" among certain members of the previous administration.

On the other hand, the prime minister does not tolerate negligence among his closest collaborators: Some of the rules to be followed are to abide by schedules (including showing up in the offices during the morning), and not to postpone commitments.

According to our sources, however, Cavaco Silva does not appear to harbor any particular respect and admiration for "soft" individuals. We are told by someone close to the Social Democratic leader: "He especially enjoys working with people who convey assurance and their own initiative, who will offer ideas and know how to defend them, and who express firmness in their opinions; even though, in the end, they may be disregarded for some loftier reason. Anyone who confines himself to listening to him, or is willing to accept his direction without argument, loses Cavaco Silva's respect."

Cavaco's admiration for strong, courageous, if not argumentative ministers appears to be one of Leonor Beleza's "trump cards" with the prime minister.

We are informed: "He admires her strong personality, in addition to considering her competent."

Although our sources admit that "to err is human, and Professor Cavaco Silva could, therefore, also err," the competence and effectiveness of the ministers in their respective areas appear to constitute another essential criterion for selection. "Cavaco Silva prefers to choose specialists, who therefore contribute to the government's image of effectiveness, rather than reward professional politicians; even if they are close fellow party members. Furthermore, in his own office, in Sao Bento, most of his 14 advisors are not even PSD [Social Democratic Party] members, and were selected for reasons of their competence in various fields."

2909

CSO: 3542/117

VOTE TRANSFERENCE, MOTIVES FOR CHANGED PATTERNS DETAILED

Power of Disloyal Voters

Lisbon EXPRESSO in Portuguese 1 Aug 87 pp 20-R-21-R

/Article by Jose Antonio Lima and Luis Fraga/

/Text/ A quarter of the Portuguese voters, with the power of 2,000,000 votes, brought about major changes in party life. This is a unique development in Europe where the stability of the vote is characteristic of the electoral scenario.

The Portuguese vote in the past 2 years has been extraordinary and astonishing. It has caused unexpected and profound changes in the country's partisan framework, permitted well-known political figures and forces to be temporarily out of the picture or completely eliminated and given rise to uncontested victories and irrevocable defeats.

At the same time, the electoral behavior of the Portuguese has placed them in an odd and conspicuous position on the European level, for the direction of the votes provided a solution to the controversial debate on the advantages and disadvantages of the two types of electoral systems: the majority or proportional. It gave rise to new parties with strong representation, created a stable majority government from a single political force, outlined a future scenario of bipolarization and prevented inequalities between the number of votes and the number of corresponding deputies (characteristic of the majority system).

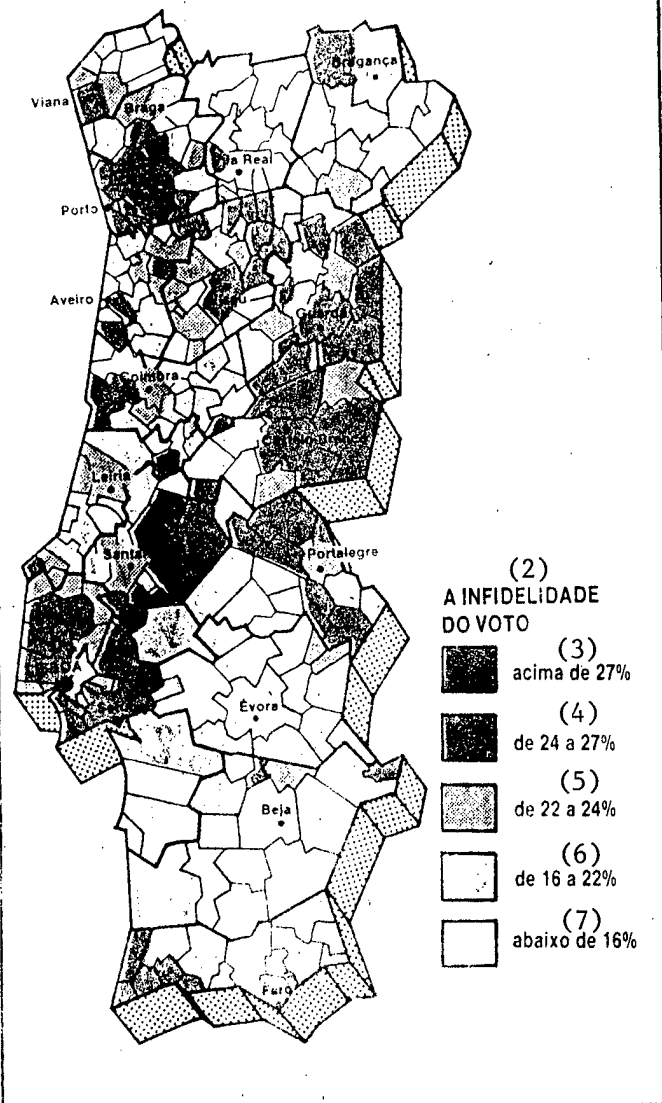
But the truth is that only an extreme electoral mobility permits this union of advantages and a dynamic functioning of the proportional system. That mobility, which appears to have been absent during the first electoral years subsequent to 25 April 1974, has become the prominent and decisive characteristic of the elections in Portugal since 1985, involving the voting fluctuation of 2,000,000 voters, about one quarter of the national electorate.

Where Is the Fluctuating Electorate?

What are the characteristics of this fluctuating electorate? Where is it located politically and geographically? In which socioeconomic areas is it predominant? The municipal analysis of the overall transference of votes makes it possible to give approximate answers to these questions.

Although it is certain that the PRD served as the driving force and conveyor belt of the changes which occurred in the political options of the electorate, the

Variação concelhia do voto (1985/87) (1)



Key:

1. Municipal variation in the vote (1985-1987)
2. Disloyalty of vote
3. Above 27 percent
4. From 24 to 27 percent
5. From 22 to 24 percent
6. From 16 to 22 percent
7. Below 16 percent

extension of the phenomenon of electoral disloyalty (that is, of voters and abstainers who changed their electoral choice between 1985 and 1987) greatly exceeded the sphere of influence of the party of Ramalho Eanes.

Moreover, it is possible to show two types of voting variation on the preceding map. On the one hand, a transfer of voters which affects a party essentially in areas where it is best implanted--as in the case of the PRD in the entire valley of the Tagus (encompassing the districts of Santarem and Castelo Branco) and of the CDS in the interior of Beira and Tras-os-Montes (districts of Viseu, Guarda and Braganca). And on the other hand, a change in the less concurrent and more diversified electoral behavior: the entire coastal area, particularly where there is a concentration of urban and industrial centers--Lisbon/Setubal, Coimbra, Porto/Braga and the Algarve coastline.

The Fixed Vote of the Loyal Electorate

These two areas stand out on the map, encompassing (in darker colors) the municipalities with greater voting disloyalty. And as areas of a more established electorate, we find the regions of nondivided control to be naturally more prominent: Alentejo, Beira, the northern interior, the Azores and Madeira. The clear-cut control of a single party (the CDU or PSD in the cases referred to) gives the vote greater stability, thus diminishing the tendency to transfer. Although the gradual extinction of the CDS is still causing some instances of greater disloyalty to appear in the northern interior, Alentejo and the islands have the most loyal electorate of the entire country. Madeira even holds the record for the least variation among the electorate--an average of less than 10 percent. And it is here that we find the municipality with the most loyal voters: Camara de Lobos, with a change in the vote of less than 5 percent among the registered voters.

And the Disloyal Voters of the Urban Centers

The fluctuating electorate, in addition to the CDS and PRD component in geographically defined areas, is thus centered in economically more developed regions, areas having a diversified social fabric where a tertiary sector is predominant, that of services. More than a million votes changed parties between 1985 and 1987 in the districts of Lisbon, Porto and Braga, confirming greater mobility on the part of the urban electorate and its option for a less ideological political discourse, one located in the center. It should be mentioned that the transference analysis indicates a more significant percentage of disloyal votes in the urban centers (an average of 24 percent compared to an average of 20 percent in the rural communities) and that a postelectoral poll (shown in the following pages) reveals that more than half of the Portuguese voters choose to adhere politically to the center (with two-thirds of the PSD's present 50.1 percent adhering politically to the center right or center left).

To these urban and industrial areas, more developed and open to the "rebellious" vote, must be added the transition or border areas, such as Estremadura and Alto Alentejo or the Algarve coastline. With an electorate divided by a number of

political forces none of which is predominant, it is here that the PS achieved its best results. It is also here that we find the most disloyal municipality: Peniche, with more than 35 percent of the voters changing their vote. In this municipality all of the forces were siphoned off in favor of the PSD and abstention, with the PRD losing 17 percent, the PS 3 percent, the CDU 5 percent and the CDS 3 percent.

This geographical location of the fluctuating vote or abstention is indicative of another factor of significance: Areas of greater population density have a tendency to influence the direction of the vote to a greater extent. Hence, the magnitude of the transferences have resulted in "cataclysmic changes" in the electoral map. Two million votes represent one-quarter of the electorate, a broad enough spectrum to cause radical and uncommon changes in the European scenario. In fact, broad enough to offset most of the arguments of those who support an early revision of the electoral system.

Reform of the Electoral System

It is acknowledged that the majority system, based on a disproportion between the percentage of votes and the percentage of seats obtained in Parliament, favors the existence of majority and stable one-party regimes, making it difficult for new political forces to appear and be represented. This is the situation in England where Conservatives and Laborites have traditionally been in power with a majority based on 40 percent or less of the total votes, whereas third-rate powers such as the alliance between Liberals and Social-democrats barely manage to elect a minimum number of deputies, even though they exceed 20 percent of the total votes.

On the other hand, with the proportional-representation system we avoid any inequality between the number of votes and parliamentarians of each party, generally impede the formation of homogeneous majorities and government stability and bring on weak coalitions of a number of political forces, as has been the case in Italy for many years.

The recent Portuguese vote of 6 October 1985, as well as the presidential election of 1986 and the election of 19 July 1987, showed that it is possible to combine the advantages of the proportional system (equal representation and vote value and an open-door policy toward the affirmation of new social and political forces) with all those of the majority system (one-party majorities, bipolarization, stable governments). In less than 2 years, Portugal has seen the birth and decline of the PRD, the election of a president supported by a weak coalition of political forces, the conquest of 50.1 percent of the votes by the PSD (with a polarization effort complemented by the PS) and the continuous weakening of the parties located at the extremes of the party spectrum.

The Bipolarization Temptation

The Portuguese electorate itself created the conditions necessary for the proportional system to function without the constraints and customary prejudices

attributed to it. It remains to be seen what answers will be given to the question of a greater personalization of the vote, less dependence of the deputies on the parties and greater proximity to the voters. Any reforms of the system in this sphere will require a change in the number and dimension of the electoral circles or a new kind of election in which only the party candidates with the most votes would be elected. Both hypotheses would involve a weakening of the proportional-representation system through the introduction of mechanisms of the majority system tending to favor the bigger parties and artificially polarize the country's political life.

Inasmuch as there would be a natural tendency for the PSD and PS to use the electoral system to enhance their position as Portugal's two major parties, it is highly improbable that the next constitutional revision would involve any major changes which would modify the present system, dampening the dynamism and mobility manifested by the Portuguese electorate.

Comments Accompanying Maps on Next Page

The maps depicting the transference of votes between two given parties presents only the municipal statistics, discounting certain additions and deletions. Of particular note are the gains of the PSD on each of the three maps in which it is shown as having benefited from the votes of other party members; the first map indicates the votes won from the CDS in the northern districts of Porto, Viseu and Guarda while other votes were won from the socialist and renewal electorate throughout the country but on a lesser scale in the south. The PS won votes from the PRD and CDU throughout the transition area of the valley of the Tagus and certain large municipalities with sporadic losses in scattered cities of the interior. It is also to be noted that the Communists show gaps in the frontiers of their Alentejo area of control with a number of losses to the Socialists and Renewers (and even to the PSD) which, in some instances, reached as far as the interior of the districts of Beja and Evora. The CDU had substantial losses of votes in the industrial area of Setubal District.

Motives for Vote Transference

Lisbon EXPRESSO in Portuguese 1 Aug 87 pp 22-R-23-R

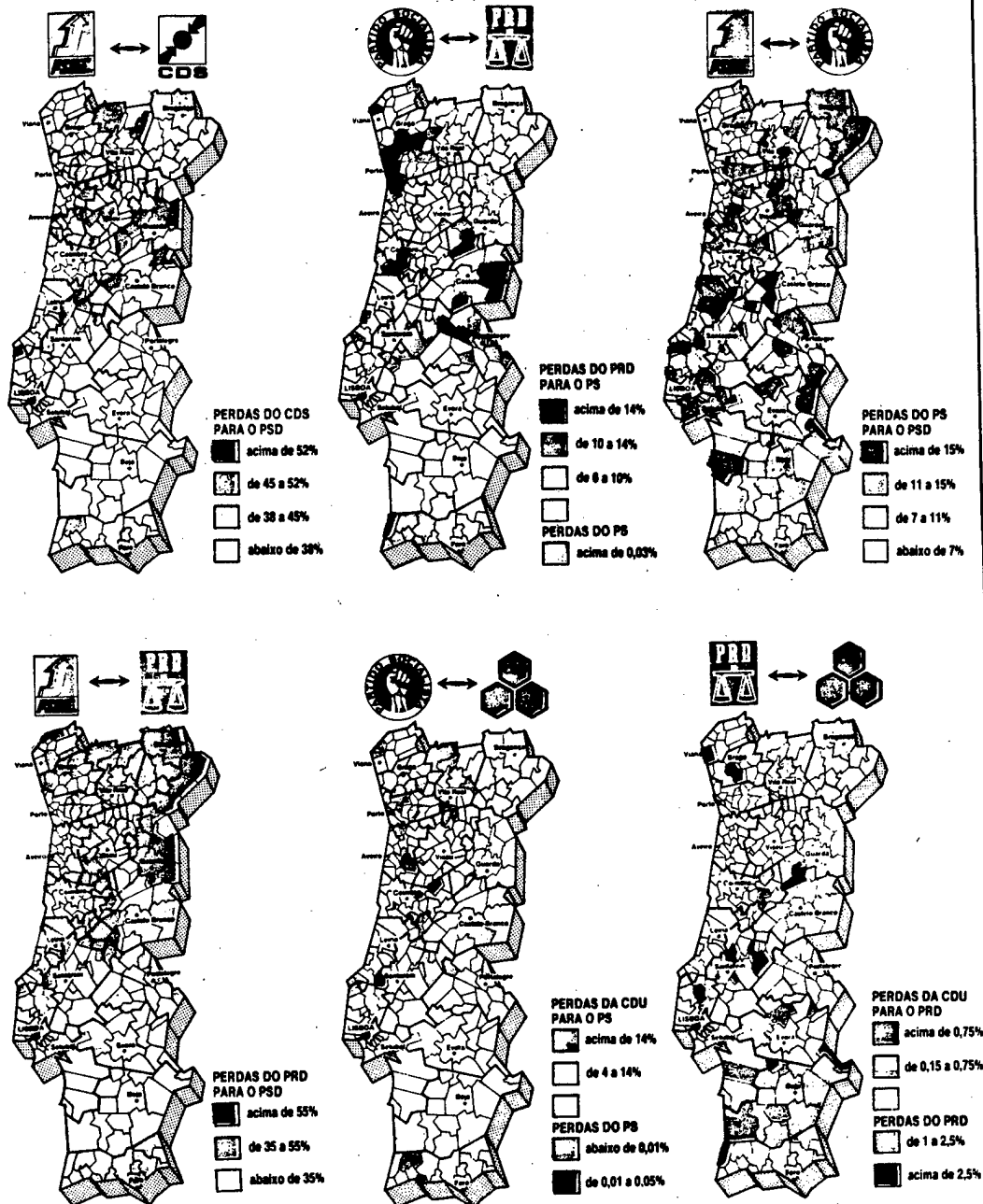
/Article by Jose Manuel Fernandes/

/Text/ Nearly 2,000,000 voters changed the direction of their vote in the last election. Why did they do so?

The motives for such a significant change in the electoral scenario--more than one-third of the voters were disloyal to their 1985 party--was one of the topics of the recent seminar held by the EXPRESSO-Euroexpansao Panel. Held shortly after the 19 July election, this round-table discussion revealed that the desire for better government, greater stability and parliamentary majority were the motives most often cited by the voters who changed their vote.

As transferências de votos, partido a partido

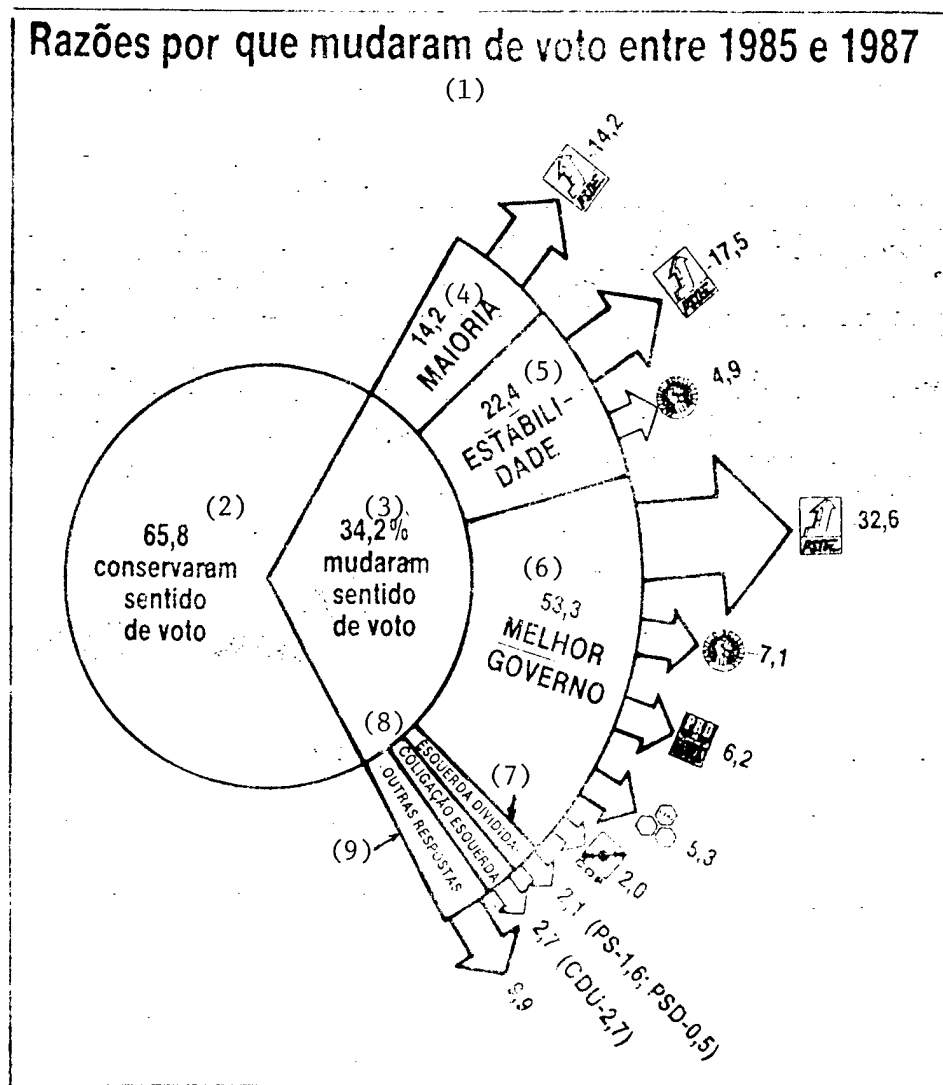
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Key:

1. Transference of votes, party to party

Glossary of terms: perdas = losses
para = to
acima = above
abaixo = below



Key:

1. Motives for changing vote between 1985 and 1987
2. Voted the same as before
3. Changed their vote
4. Wanted majority
5. Wanted stability
6. Wanted better government
7. Voted for divided left
8. Voted for leftist coalition
9. Other answers

PATTERN OF VOTE TRANSFERENCE

Assembly of the Republic/European Parliament

19 July Vote - Assembly of the Republic

	PSD	PS	PRD	CDU	CDS
PSD	60.7	1.0	--	--	7.4
PS	3.6	91.0	10.0	--	--
PRD	--	0.8	62.4	--	--
CDU	--	--	6.1	100.0	--
CDS	31.3	2.6	21.5	--	82.3
Others Blanks No ans	4.4	4.6	--	--	10.3

Universo: Continent voters without autonomous areas

MOTIVES FOR CHANGING AR/PE VOTE

The best party in the AR is not the best to represent us	60.5
Positive evaluation of performance of Lucas Pires	23.5
I am not PSD, but I voted PSD to have a majority in the AR	10.9
Other answers	3.0
Does not know, does not answer	3.1

Universo: Continent voters who voted differently for the AR and PE

Naturally, the PSD gained the support of most of those fluctuating voters (more than 68 percent), much more than the PS which lagged behind with 16 percent. Curiously, more than half of those polled who admitted that they changed their vote to the PSD said that they did so because they wanted better government. In other words, despite the fact that the two strongest arguments of the social-democratic campaign had been the offer of stability and a possible majority, the new PSD voters were allegedly convinced that the best government proposal was that put out by Cavaco Silva. The desire for a majority and stability were indicated by far fewer voters.

The motives for changing the vote to one of the opposition parties can be summed up simply in the hope that an option for the PS, PRD, CDU and CDS might result in better government. Only the Socialist Party managed to obtain some of the votes of those who were seeking stability.

Even the PDU, which centered its campaign around a leftist merger, failed to entice many people with that proposal.

The Pragmatic Vote

In any case, the preponderance of a desire for better government could suggest that the change in the vote was due less to a pragmatism over the short term (stable government, majority) than to what the initial evaluations seemed to indicate. In fact, the concept of "better government" could be associated with a more consistent choice, one more closely linked with the concrete government proposals presented by the various parties.

However, this interpretation is partially contradicted by the analysis of the motives for which the electorate voted with regard to each party. Thus, we perceive that the concept "better government" emerges closely linked with "stable government" in the votes obtained by the PSD. The latter aspect was even the most important in the option of the social-democratic vote (62 percent), well ahead of other concerns such as "defense of one's interests" (15 percent) or "party tenets" (13 percent).

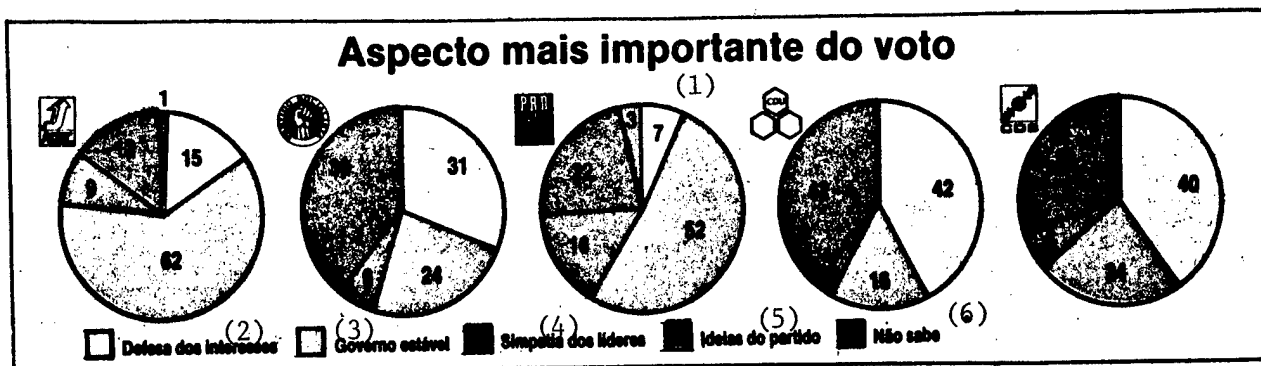
The most ideological vote was that of the CDU (42 percent), closely followed by that of the PS (39 percent). These electoral options, more closely associated with party tenets, reveal the strength of a vote less susceptible of being transferred. Moreover, the other important element in the CDU vote--"defense of one's interests," an aspect closely related to the more traditional nature of this coalition--is also not conjunctural. Only in the case of the CDS, a distinctly traditional party, does "defense of one's interests" emerge as an important factor in the electoral choice.

At the opposite pole we find the PRD. In addition to its spectacular setback at the polls which left it with less than 5 percent, even the remaining renewal voters do not profess to be captivated by the party's ideas. The motive most often cited for choosing the PRD ("a stable government") indicates at least an ambiguous vote: In view of its recent past and electoral proposals, how could the PRD offer such a government? Obviously, even the few votes received by the PRD on 19 July show a lack of strength and conviction.

Moreover, it is in the renewal vote that we find the highest percentage of voters who profess to be captivated by the charm of the respective party leader, in this case, Ramalho Eanes.

The Prestige of Lucas Pires

However, in addition to the overall disloyalty of the electorate revealed in the 19 July vote for the Assembly of the Republic and compared with the previous



vote, that of 1985, there was also extreme disloyalty with regard to the vote for the European Parliament.

The pattern of vote transference, shown on the previous page and deduced from the findings of the panel, although limited in scope (500 individuals polled), confirms that the most promising candidacy--that of Lucas Pires--received votes not only from the PSD but also from the PS and PRD in addition to those of its natural base, the CDS. Significantly, almost a quarter of the voters who put an X in the various boxes on the white and blue ballot based that choice on a positive evaluation of the performance of Lucas Pires in Strasbourg. The transference of AR/PE votes also gives an indication of the importance of the advantageous vote in the first ballot inasmuch as a substantial number of voters indicated that they voted PSD only to help obtain a majority.

8568

CSO: 3542/0116

PCP'S CUNHAL: CAMPAIGN OPENING NOT IMPLYING CHANGES

Lisbon DIARIO DE NOTICIAS in Portuguese 3 Aug 87 pp 2-3

/Interview with Alvaro Cunhal by DIARIO DE NOTICIAS correspondent Helena Sanches Osorio; date and place not given/

/Excerpts/ "We had no additional opening and there was no additional opening on the part of others toward us," Alvaro Cunhal told our newspaper in explaining the manner in which the CDU campaign evolved. However, he went on to say that this attitude did not imply any basic change on the part of the Portuguese Communist Party. And, in view of the electoral results, although his party does not consider that "the revolution is lost" or that "the counterrevolution has won," Cunhal was cautioning that, in his opinion, "the revision which the Right desires, a revision which certain statements made by the PS also support, is aimed not at a revision of the Constitution but at its revocation, not as an improvement but as a destruction of Portuguese democracy."

DIARIO DE NOTICIAS: Does the opening which occurred in the CDU signify any basic change within the PCP?

Alvaro Cunhal: I do not think so. There are essential points of reference which one needs in order to understand both our campaign and our activity. One of those essential points is the manner in which the PCP analyzes the events which have occurred in our country during the past 13 years. Whoever speaks of an opening and a new way to handle communications cannot deduce therefrom that the PCP is no longer considering certain essential points of the Portuguese political situation, of the conquests of the revolution and of our defense. That would be an illusion.

DN: In looking back and reflecting on how the CDU campaign evolved, in the very essence of moderation, without the violence of those who are red with anger, have clenched fists or utter words such as "fascists" and "reactionaries," I ask you if the result would be similar to this in spirit?

AC: A situation which is different from what we were experiencing in previous years requires different forms of behavior. We ourselves did not undergo any basic change; we merely appear different in the eyes of others.

DN: But do you agree that there was a certain amount of retraction on the part of the PCP which caused it to soften its stand on this occasion?

AC: If you are speaking with regard to formal aspects, there may have been. Discounting television which is an exceptional case due to the amount of manipulation to which it was subjected, the PCP was in effect treated differently by the social, political and cultural media and even by the Ministry of Social Affairs. Perhaps this was because many are just now becoming aware of our style of existence, our mode of behavior, acting, feeling and living. We had more opening and there was more opening on the part of others toward us.

DN: What I heard is that the party's intellectuals allegedly wanted a change.

AC: We are a party of the working class, of laborers. The party's intellectuals espouse the cause of the working class. In the PCP there is no class struggle between the intellectuals and the working class.

DN: Your speech in this campaign can be summarized as follows: "The rightist parties are bad; they must not win. Since we shall not be in the majority, we must join forces in order to defeat them." How can a party which says in advance that it will not have sufficient power strive to obtain a majority and govern? Will it stand alone against systematic government?

AC: It is not against organized government. It would simply be a lie to tell our people that the PCP alone could obtain a majority.

DN: How is it possible to keep the electorate hoping for a type of government which will never be achieved?

AC: My party has had decades of experience in the struggle against fascist elements without the prospect of actually taking control of the government. A party does not exist for the sole purpose of coming into power in the near future.

DN: I could see that during the course of your campaign; that position caused your electorate to have a certain amount of frustration.

AC: Not having a clear-cut democratic alternative to the rightist government was one of the causes of the electoral result. But what is the only possibility for an alternative to the rightist policy? It is the union of democratic forces, for there is no democratic force which by itself has the strength, influence and capability to establish a government. None. Hence, our assertion that it is absolutely necessary to have a union of democratic parties. The Socialist Party, which even now claims that it is an alternative by itself alone, ended up being penalized in the recent election in that it obtained only about 50,000 of the 850,000 votes which it lost in 1985. The assertion that it is necessary to have a union of the democratic parties is a sound message, not only for the electorate but for the political parties themselves.

DN: Is it true that the Communist Party plans to present a proposal for a constitutional revision in the Assembly of the Republic?

AC: The revision which the Right desires, a revision which certain statements made by the PS also support, is not aimed at a revision of the Constitution but

at its revocation, not as an improvement but as a destruction of Portuguese democracy.

DN: Is the PCP recommending any specific revision?

AC: No revision on basic questions. We have ideas with regard to certain operational aspects. But if the Constitution were to remain as is, it would be very good.

DN: How will Congress broach your replacement?

AC: Who said that Congress will...

DN: You said it.

AC: I said that the question of the party's secretary general must always of necessity be in keeping with the spirit of the party's directorate itself as, moreover, it was stated during the 10th Congress. This does not mean that, for the moment, that question has even arisen.

DN: What will the PCP do to regain its electorate, especially the ones who abstain?

AC: Especially those who abstain. For all the polls agree on one aspect: A large number of those who did not vote in the CDU and had voted in the APU chose to abstain, not because they voted for other parties.

DN: Do you think that the withdrawal of the MDP/CDE had something to do with this?

AC: Perhaps a little, not much. With regard to abstention, there is reason to believe that some of those who thought that their vote was not essential changed their mind and considered their vote essential. There are some who did not vote for us and are now regretting not having done so. With respect to the few thousand who voted for the PS considering their vote to be of some value, they have also been greatly disillusioned. Their vote was of no value with regard to an alternative. However, it is easy to look back. And those who had voted for the APU and now voted for the PSD...

DN: A phenomenon which is difficult to explain?

AC: In many instances, there were sectors greatly affected by the difficulties stemming from the rightist policy and these sectors were lured into voting for the PSD by promises of certain benefits which turned out to be mere crumbs. That led us to think that it is not a question of a political option. And curiously, the election was held and afterwards there was great silence.

DN: How do you explain this?

AC: In many instances, people who voted in bad faith find it difficult to speak.

DN: How do you explain the reception which you received in the northern part of the country, a reception which a few years back would have been completely impossible?

AC: It is our modus operandi. It is how we now appear in the eyes of others. Some of the people now see us in a different light. They no longer believe that propaganda full of fantasies and lies concerning the Communists. And when they know us better, they change their opinion. We are tolerant and understanding in the human sense of the word, that is, there is no error which cannot be understood. But in political terms, with regard to our people, we demand a minimum of political, civic and social behavior in keeping with the manner in which we view our rightful engagement in Portuguese life.

8568

CSO: 3542/0116

CHANCES OF PCP'S CUNHAL SUCCESSORS EVALUATED

Lisbon TAL & QUAL in Portuguese 31 Jul 87 p 7

[Article by Henrique Monteiro: "Cunhal Wants to Reform"]

[Text] At the age of 73, Alvaro Cunhal, who has headed the orthodox Portuguese Communist Party [PCP] for over 5 years, has decided to give a sign of its future reform. At a press conference intended to express PCP's views on the election results, he announced that the next regular congress of the Communists, set for March of next year, may debate his replacement as head of a party which has lost a third of the electorate since 1983. Has the time of the young people arrived?

There are several names in the poll to succeed the "old man," as many in the party call him affectionately: some are more obvious, such as Octavio Pato or Carlos Costa (two of the five members of the Standing Political Secretariat); while others are less well known, such as Jose Casanova, in charge of DORL, the Lisbon Regional Organization Directorate.

However, there is nothing to indicate that Cunhal will give up his number one position in PCP immediately in March. The fact is that, whoever the replacement may be, he would never, by a long shot, hold the irreplaceable role of the one who is now the strongest western Communist leader. So much so that, at Brezhnev's funeral in Moscow, Cunhal received honors from the party chief in the government, and immediately afterward was received by Honecker, the Communist leader in the GDR, and Fidel Castro, the number one man in Cuba.

Cunhal himself is very well aware of this. In his most recent theoretical production (the only important one since "Heading for Victory," written at the beginning of the 1960's), his book entitled "The Party With Glass Walls," he sends a message to the international communist movement and to the members of his own party: PCP (Cunhal recalls) existed for over 20 years without having a secretary general. His legacy is too great, and Cunhal has not indicated the heir.

The four figures who are most important institutionally after Alvaro Cunhal are the members of the Standing Political Secretariat: Carlos Costa, aged 60, responsible for the local governments, and preponderant in the APU [United

People's Alliance] split and in the establishment of CDU; Carlos Brito, 54, the party's traditional parliamentary leader; Domingos Abrantes, 51, in charge of the "trade union front," in other words, CGTP-IN [General Federation of Portuguese Workers/National Intersindical]; and Octavio Pato, 62, responsible for the apparat and the training of cadres.

Logically, it would be among these individuals that Cunhal's heir should be sought; but in politics, and particularly in the politics of communist parties, not everything is logical.

The possibilities are unequal. Carlos Costa represents the "hard line," and is considered a sectarian, even having a poor image in the party. However, he controls a preponderant sector (specifically, during ebbing periods) for any PC: the local governments. Carlos Brito, as parliamentary leader, has always been rather isolated in a party organization that does not, moreover, give priority to parliamentarism. Domingos Abrantes, another "hard liner," is challenged, insofar as we know, by leading figures in the trade unions, such as Jose Luis Judas (one of the few who, although not a member of PCP's leadership structure, is claimed to have direct access to Cunhal). Octavio Pato, one of the PCP leaders at the end of the 1950's whom Cunhal fought after his escape from Peniche, as the one responsible (together with Julio Fogaca) for a "right-wing orientation," is the apparat man, and hence always a potential candidate. It should be added that, of the four, he is the one who has the most past in PCP's history, having always been an ally of the leader since Cunhal's election as secretary general in March 1961. He was also the authentic "boss" of PCP in Portugal when Cunhal, during his clandestine status, was forced to live in Moscow (first) and Paris (later).

The DORL leader, Jose Casanova, was an illustrator of the fastest promotions in PCP. A member of its Political Commission, of working-class origin, a native of Couco and only 48 years old, he has been cited as one of the members of a potential "troika" that would replace Cunhal. According to this hypothesis, Carlos Costa, Octavio Pato, and Casanova might be the leaders in the transition.

Another name also appears among the younger generation: that of Jorge Araujo, member of the Secretariat (there is in PCP a standing secretariat with four members plus the secretary general, and a secretariat composed of the same persons, plus four members). Considered an intellectual, during the last regular congress he was responsible for the in-depth address on ideology. The other members of the Secretariat, Blanqui Teixeira (aged 65), the editor of MILITANTE, an organ for training cadres; Joaquim Gomez (70), in charge of finances; and Sergio Vilarigues (72), responsible for international relations, are not considered potential successors.

But, in the Cunhal legacy, the line of the "young Turks" must be considered, a group also mistakenly called "Eurocommunists" by some. This group, the major name in which is Vital Moreira (currently in the Constitutional Court), always backed Alvaro Cunhal, although it questioned the excessive power of the apparat and the trade union orientation. Also members of the group are Jorge

Leite (a Constitutional Court member from Coimbra), Osvaldo de Castro (an attorney and president of the Marinha Grande Municipal Assembly), Ilda de Figueiredo (an economist and deputy from Porto), Joao Amaral (an economist and deputy from Lisbon), Zita Seabra (member of the Political Commission and its spokesperson), Jose Magalhaes (who, after the elections, publicly criticized the PCP strategy, calling for a renewal of the party), and Octavio Teixeira (like Magalhaes, one of the most active members of the parliamentary group).

For the present, no one is claiming that Cunhal will surrender the reins of the party next March. The time of the "young ones" does not appear to have arrived. With the results of the 19th, and in spite of Gorbachev, the slogan is to become hard, to maintain positions, and to lend more force to the organization and the apparatus and, in particular, the trade union sector; which does not make the lives of those defending the "openness" line easy. Be that as it may, Cunhal is still the myth of PCP. After him, nothing will be the same.

2909

CSO: 3542/117

COMMENTS ON GAMA'S INTEGRATION INTO PS LEADERSHIP

Lisbon EXPRESSO in Portuguese 8 Aug 87 p 3

[Article by Jose Antonio Saraiva: "Jaime Gama and the PS Leadership"]

[Text] Jaime Gama's entry into the Socialist Party leadership could have two interpretations.

Some would claim that, in agreeing to be Vitor Constancio's "number two" man, Jaime Gama has ultimately given up the notion of being "number one." Submitted in support of this theory is the example of Cavaco Silva, who refused to join the government headed by Francisco Pinto Balsemao, so as to be able to appear later as a candidate for the party leadership.

Others, however, would claim that Gama's entry into the Socialists' National Secretariat represented a major personal victory for him, inasmuch as it meant Constancio's acknowledgment of the influence that the former minister of foreign affairs still wields inside the party, despite the humiliating defeat that he suffered at the last Congress.

Obviously, both interpretations are possible. But which could be the real one?

Was it Constancio who gave in, admitting the need for opening the secretariat doors to Gama, or was it Gama who gave in, by agreeing to enter the secretariat in a subordinate position?

I believe that, in this complicated, subtle, power struggle in the Socialist party, Gama had no other option.

And for a very simple reason: because Jaime Gama does not know how to be a faction leader.

He will never be a man wanting all or nothing.

He never says yes or no, overtly.

He has always been a mediator in PS.

In short, he does not know how to act far removed from power; Gama likes to influence the powers that be from inside.

Therefore, Jaime Gama could hardly tolerate for long the position in which he was left after the defeat in the Congress.

Thus, rather than a good or a bad move, his entry into the Socialist leadership was an inevitable step for him.

But the question remains: Could Gama succeed in attaining the party leadership through this route?

Could a man who prefers not to risk anything (and who, when he has risked, lost), who does everything in small steps, who never really commits himself to anything, and who likes to influence more than to decide, ever become leader of PS?

This is the major question.

As for the rest, his position is easily predictable.

Although he has entered the PS Secretariat, Jaime Gama will never consider himself to be a loyal supporter of Constancio.

He will play, not the game of others, but his own.

Having ceased to belong to the minority, he will not allow himself to become diluted in the majority.

He will be a kind of "lid" on the advent of new candidates for the leadership; but he will keep the necessary distance with respect to the leader to be introduced, invariably, as a reserve.

In this game of shadows, it is difficult to discern the future clearly.

Meanwhile, there is the risk that a dispersed power system may be established in PS, that is, a power system in which no figure stands out clearly; which would not be good for the Socialists.

Because, as the last elections proved, the Portuguese people are voting increasingly less for the parties' abstract images, and increasingly more for the concrete figures of the individuals.

This is understandable; but few people read the party programs.

But many are familiar with the leaders, and have a definite idea regarding their qualities and shortcomings.

2909

CSO: 3542/117

POLL RESULTS SHOW GONZALEZ, GOVERNMENT GAINS

Madrid CAMBIO 16 in Spanish 10 Aug 87 pp 20-21

[Text] With the punishment of the last elections in June, the electorate appears to have stopped its criticism of the government. Felipe regained acceptance during July.

Despite the widespread impression of a political crisis that has intensified in political circles during recent weeks, the government seems to have attained its highest rates of acceptance thus far this year in July, precisely, judging from the poll taken by the DYM Institute for CAMBIO 16. Although more Spaniards consider the government's endeavor erroneous than the number willing to assert the contrary, the fact is that the percentages for both are nearing one another: slightly over two points separate them.

Felipe Gonzalez seems to have become quite reconciled with the citizens since the wave of strikes and conflicts which agitated the country well into the spring. The quarrel which broke out between Ministers Barrionuevo and Ledesma, or the one between Barrionuevo and the judicial branch, or the ostensible failure to which the prime minister's attempt to bring the social spokesmen together to achieve a social pact seems to have succumbed (to give a few clear examples of the latest negative data for the government from that month's current political situation) do not appear to have affected the average Spaniard much.

While all this was happening, the policy made at Moncloa convinced 6.5 percent more Spaniards than during March, while the critics declined (4 percent fewer), and the indifferent remained stable. They are certainly the most numerous, although it must be explained that this situation has been occurring regularly during recent years.

It would appear as if the voters had satisfied themselves by punishing the ruling party at the polls in June. With the mere act of not voting for it, or being inclined toward another party, the voters have settled their score with PSOE. The conflicts, presumptuousness, and management errors seem to have been the causes. Since then, they have again regarded this government as no better or worse than the one which ended 1986; and they have resumed their confidence or lack of confidence in it nearly to the same extent as existed then. At

least the acceptance figures, which are very similar to those noted on the DYM barometer during the last quarter of that year, seem to indicate this. If this be the case, Felipe Gonzalez can rest more easily, with the thought that he will not have to face any unfinished business in September.

Although his star has not resumed shining as it did during the first years of his term, the prime minister can be content with the information that, at least, he is not on the decline, and is beginning to recover an image, albeit slowly. The study made of the leaders still puts him at the top. Felipe Gonzalez is the only one who has not lost ground in comparison with last March. Nevertheless, there is a series of significant features: Only the government's prime minister receives an average passing grade (even a high one) in the ratings given by those polled; Adolfo Suarez lost his image immediately after the election or preelection campaigns; and Hernandez Mancha is the leader with the most rejection (surpassing Gerardo Iglesias) among the leaders of the main parliamentary parties.

So firm and stable is the government prime minister's image that it is not at all easy for the electorate to imagine a potential substitute for him. There is no clearcut "number two man" in PSOE to replace him in the prime minister's office. Nearly half of those to whom this possibility was broached answered with a flat "don't know, no answer." The rest are divided among the names provided by the pollster: Alfonso Guerra, Narcis Serra, Txiki Benegas, and Miguel Boyer. And there emerges from this a strange rating in which the government's vice prime minister would have the backing of 7 percent more persons for holding the leading office at Moncloa Palace than his colleague, the defense minister. Serra, in turn, would benefit from 3 percent more support than Txiki Benegas who, for his part, would exceed Miguel Boyer by the very same percentage.

The situation is quite different if what is mentioned is not "drawing" from the Socialist source, but rather seeking the leader who would be the most suitable as a replacement. That is when the duke of Suarez displays all his charms. People prefer Alfonso Guerra in a sizable proportion: the CDS [Social Democratic Center Party] leader stands 14 points above the vice prime minister in acceptance among the people. That distance decreases by three points when the person queried is asked to express his preferences between Suarez and the defense minister. However, it appears obvious that, if Felipe should fail, the one that a majority would support would be Suarez; which is, moreover, a complicated hypothesis, since it does not appear very possible unless general elections were to intervene.

And there the voter would take into consideration, in deciding on his vote, not only the leader, but also the party for which he votes, the political situation, etc.; in other words, a combination of circumstances that decide the direction of the vote, besides the greater or lesser liking for a leader.

The greater acceptance of the government's endeavor and the stability of its leader's image are immediately translated into the direct voting intentions

inferred from the poll: PSOE gains ground in comparison with last March's poll, and increases the distance from its most direct (although very far removed) competitors. Nevertheless, there is still a considerable distortion occurring in the results: Those polled appear more of the left, or less of the right, than they actually are: because people still claim that they prefer CDS over AP [Popular Alliance], something that has not been shown at the polls later. Just as occurred last March, in July the voting expectations of the Suarez party are considerably greater than those of the group headed by Hernandez Mancha. But this does not seem to be believed any longer, even by the head of CDS, still learning from his experience; because he thought at one time that it could win over AP in the last elections in June.

Where there is no doubt of any kind is in the response given by Spaniards when asked: "How are things going for you?" They are increasingly more satisfied. In only 4 months, there are nearly 10 percent more Spaniards expressing satisfaction with "the life they are leading," while almost 5 percent fewer have to frown, because things are not going well for them. In this respect, the average citizen's euphoria appears almost as contagious as that experienced by the stock exchange during the past few days. Even the indifferent are less so, comparing the results of the previous DYM poll for March with those in July.

Perhaps the Spaniards satisfied at the beginning of the summer of 1987 are being influenced by the constant reports citing an economic growth of about 4 percent, a decline in unemployment, and a zero price increase during the last 2 months on which information is available; not to mention the other boon usually represented by the proximity of summer vacations, or the fact that people are already enjoying them.

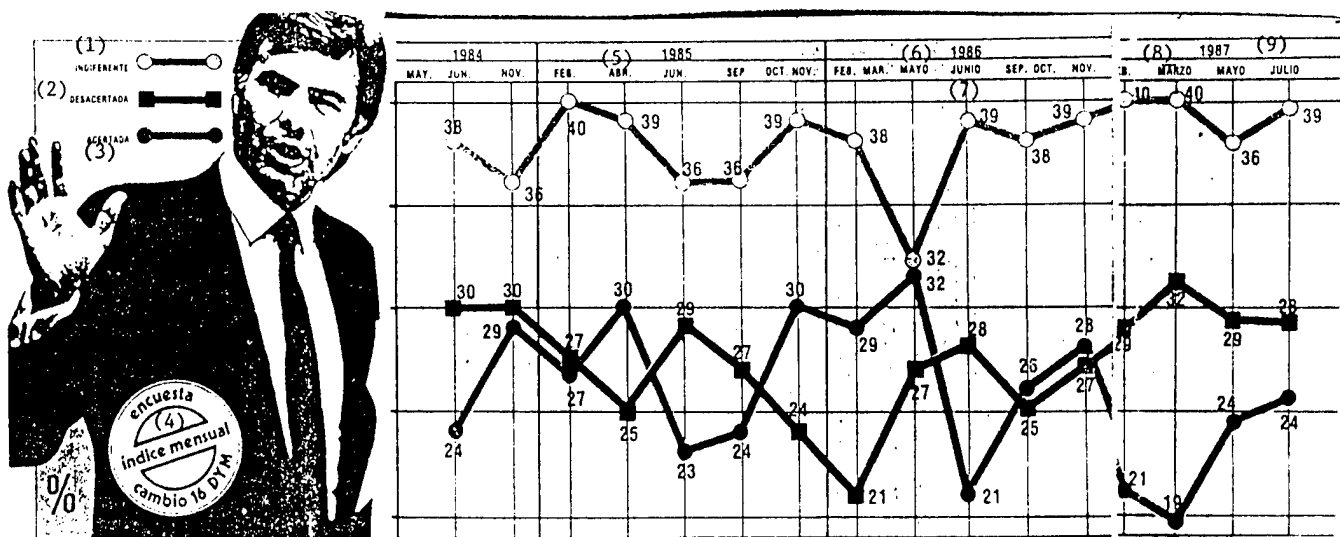
But spirits are not such that people would ring bells or start celebrating. The citizens who answered the questionnaire do not expect their satisfaction to extend much further, and the most that they hope for is, as in the joke, to remain as they are: 53 percent of those who expressed their opinion to the pollsters think that next year will be the same for them as now. What is significant is the case of the pessimists, who have declined in only 4 months, while the optimists have not increased.

Technical Record

Universe: individuals aged 16 to 65, residing in municipalities with over 5,000 inhabitants in peninsular Spain, and the Balears. Sample: 2,000 interviews with households selected by random routes. Field work: from 6 to 20 July 1987. Implementation: DYM Institute, Inc, exclusively for CAMBIO 16.

Key to Chart 1:

- | | |
|--------------------------------------|--------|
| 1. Indifferent | 5. Apr |
| 2. Mistaken | 6. May |
| 3. Correct | 7. Jun |
| 4. CAMBIO 16/DYM poll, monthly index | 8. Mar |
| | 9. Jul |



(1) INTENCION DIRECTA DE VOTO				
(2) Base: Total entrevistas				
	(3) Marzo 87	(4) Mayo 87	(5) Julio 87	
PSOE/PSC (6)	23,6	23,7	32,1	
AP	5,2	6,5	5,2	
CDS	7,4	7,6	8,4	
CiU (7)	3,0	2,6	2,7	
PCE/PSUC (8)	2,8	5,2	4,7	
PNV + EA (9)	1,6	0,5	1,1	
EE (10)	0,7	0,5	0,9	
HB (11)	0,6	1,1	0,9	
PDP (12)	0,3	0,4	1,4	
Otros (13)	1,5	3,0	2,0	
No votarian (14)	15,4	11,7	11,4	
No saben/No indican	31,6	30,2	28,8	(15)

Key to Chart 2:

1. Direct Voting Intention
2. Base: total interviews
3. March
4. May
5. July
6. Spanish Socialist Workers Party/Christian Social Party
7. Convergence and Unity
8. Spanish Communist Party/Unified Socialist Party of Catalonia
9. Basque Nationalist Party + Patriotic Left
10. Basque Left
11. Popular Unity
12. Popular Democratic Party
13. Others
14. Would not vote
15. Don't know/no indication

(1) VALORACION LIDERES POLITICOS (2) (3) (4)			
	Marzo	Mayo	Julio
Felipe González	5,7	5,8	5,9
Adolfo Suárez	4,9	4,6	4,4
A. Hernández Mancha	3,9	3,3	3,0
Gerardo Iglesias	3,2	3,3	3,1

(5) EXPECTATIVAS DE FUTURO (En comparación con la actualidad, cómo será dentro de un año su situación personal)			
	Marzo	Mayo	Julio
Mejor (6)	38	37	37
Igual que ahora (7)	47	49	53
Peor (8)	9	8	5
No sabe, no contesta (9)	6	6	5

¿ESTA USTED SATISFECHO O INSATISFECHO CON LA VIDA QUE LLEVA? (10)			
	Marzo	Mayo	Julio
Satisfecho (11) (12)	62	64	74
Ni satisfecho ni insatisf.	27	24	19
Insatisfecho (13)	11	12	7
No sabe, no contesta	0,4	0,3	0,1

PREFERENCIAS ENTRE SUSTITUTOS (14) DE FELIPE GONZÁLEZ	
1. Entre dirigentes del PSOE(15) %	
Alfonso Guerra	22
Narcís Serra	15
Txiki Benegas	12
Miguel Boyer	9
No sabe, no contesta	43
2. Entre Adolfo Suárez, Alfonso Guerra y Narcís Serra (16)	
a) Entre Adolfo Suárez y Alfonso Guerra (17)	
Adolfo Suárez	43
Alfonso Guerra	29
Por igual (18).....	12
No sabe, no contesta	17
b) Entre Alfonso Guerra y Narcís Serra (19)	
Alfonso Guerra	32
Narcís Serra	30
Por igual	17
No sabe, no contesta	22
c) Entre Narcís Serra y Adolfo Suárez (20)	
Adolfo Suárez	44
Narcís Serra	23
Por igual	15
No sabe, no contesta	18

Key to Chart 3:

1. Assessment of Political Leaders
2. March
3. May
4. July
5. Future Expectations (in comparison with the present, how will your personal situation be within a year?)
6. Better
7. The same as now
8. Worse
9. Don't know/no answer
10. Are you satisfied or dissatisfied with the life you are leading?
11. Satisfied
12. Neither satisfied nor dissatisfied
13. Dissatisfied
14. Preferences Among Replacements for Felipe Gonzalez
15. Among PSOE leaders
16. Between Adolfo Suarez, Alfonso Guerra, and Narcis Serra
17. Between Alfonso Suarez and Alfonso Guerra
18. Alike
19. Between Alfonso Guerra and Narcis Serra
20. Between Narcis Serra and Adolfo Suarez

2909

CSO: 3548/106

SIPRI PEACE INSTITUTE DIRECTOR DISCUSSES ANNUAL REPORT

Gorbachev's 'New Signals' Important

Stockholm SVENSKA DAGBLADET in Swedish 18 Jun 87 p 4

[Article by Ulf Hagman]

[Text] During 1986--proclaimed the International Year of Peace by the United Nations--there were 36 wars and armed conflicts in which more than 5 million soldiers from 41 countries participated.

Despite that and other circumstances pointing in the opposite direction from peace, there were also encouraging signs--at least a few--when Walter Stutzle, the new head of the Stockholm International Peace Research Institute (SIPRI), presented its 1987 Yearbook on Armament and Disarmament on Wednesday.

"East and West seem to have reached the threshold of a new stage in disarmament efforts, and there is reason to ask oneself whether we are witnessing a decisive breakthrough," said Stutzle at a press conference. He referred to NATO's acceptance last week of the "double zero option"--that is, the removal of hundreds of land-based intermediate-range nuclear missiles--and also to the new round of talks on control of conventional weapons in the context of the CSCE. He also noted what was "perhaps last year's only success in the area of arms control": the conclusion of the Stockholm conference with its agreement on confidence- and security-building measures in Europe.

Budding optimism prevails in an area usually dominated by unfavorable news, and SIPRI's director said his personal view was that "there is a good chance of agreement" between the superpowers, but he pointed out that it would cover only a small portion of the world's nuclear arsenal. He was less optimistic about the possibilities for a reduction in strategic nuclear weapons and even less optimistic about an agreement against an arms buildup in space and the testing of space weapons, which could easily lead at the same time to a scrapping of the ABM Treaty signed by the superpowers in 1972 (that treaty limits the number of defensive missiles for use against nuclear missiles).

In the introduction to the yearbook, printing of which had not been completed on Wednesday, it is stated that 1986 was a year of change and continuity and

that the change was represented to a great extent by one person: Mikhail Gorbachev. A lot is said about the many new signals from Moscow, but it is also noted that there are still no answers to the question of what Gorbachev's policy is going to mean as far as the arms race and disarmament are concerned.

Among the many increasingly serious problems of long standing which lie outside the scope of the general East-West confrontation but which may become an acute threat to the security of the industrialized world, special mention is made of the Iraqi-Iranian War, South Africa, and the debt crisis.

Economic Collapse?

Concerning that last-named problem, Stutzle wondered rhetorically how the world's banks and their governments in both East and West would react if, for example, the 15 most heavily indebted countries announced simultaneously that they were not going to pay their debts.

In the section of the yearbook devoted to the open arms trade, it is noted that there is fierce competition in a "buyer's market." For economic reasons, many Third-World countries have turned to cheaper suppliers than the Soviet Union and the United States, and at the same time, Iraq and Iran are standing out increasingly as two of the most reliable markets for arms sellers. Since the start of that war in 1980, no fewer than 27 countries have supplied both countries with weapons or some other kind of military support.

SIPRI also dwells on something which may be the dream of many people but which may also be a new and difficult problem: the fact that the leaders of both superpowers have said they want to achieve a nuclear-free world. The head of SIPRI noted drily that probably only thorough research would make it possible to determine whether such a goal was even desirable.

Paper Views Stutzle, Report

Stockholm SVENSKA DAGBLADET in Swedish 18 Jun 87 p 2

[Commentary by Fredrik Braconier: "New Winds Over SIPRI"]

[Text] New winds are blowing at SIPRI. When its relatively new director, Walther Stutzle, presented the 1987 Yearbook, some people obviously felt they had lost their moorings. Maj Wechselmann, who is not exactly unknown, let out an amazed laugh when the West German director of SIPRI noted in his introduction that only after very careful research would we be able to decide whether a nuclear-free world was possible or even desirable.

That kind of talk was certainly not heard in the old director's time. When the former director, Frank Blackaby, presented his last yearbook at about this time last year, his summary was more to Wechselmann's taste: as usual, the United States was criticized, while the Soviet Union's fur was stroked the right way. Blackaby strongly admonished the United States to stop accusing the Soviet Union of chemical and biological warfare. It was a display of the kind of partiality that has eroded SIPRI's reputation in the Western World.

Walther Stutzle's background gives him a different perspective on the world and the order of things. For many years, he worked with and shaped security policy for the FRG's Social Democrats--that is, the way it looked when people like Helmut Schmidt were deciding policy. Part of that security policy was NATO's two-track decision of 1979, which came about at the FRG's initiative. It said that if the Soviet Union refused to negotiate concerning its new SS-20 missiles, NATO would begin deploying U.S. intermediate-range missiles in West Europe.

It is that policy which now seems to be reaching implementation in an agreement between the Soviet Union and the United States. Almost all nuclear missiles and cruise missiles--excluding 18 French missiles, among others--with a range of from 500 to 5,000 kilometers would then disappear from Europe's landmass and would, moreover, be destroyed. But it is worth remembering that that policy was long the target of vehement criticism by the Left in Europe, and it gradually came to be criticized as well by the dominant forces among the FRG's Social Democrats.

Simple slogans such as "nuclear freeze" or "freedom from nuclear weapons" do not necessarily provide the basis for either a tenable security policy or a successful disarmament policy. With his experience, and for natural reasons, Stutzle is also disinclined to share the view that light always comes from the East. In his introduction to the SIPRI Yearbook, he pungently criticizes the Soviet Union's policy during the 1970's and the Soviet Union's inability--at the Reykjavik meeting, for example--to perceive the psychological effects that policy had had in the United States and West Europe.

But the United States and President Reagan do not get a clean bill of health. When Walther Stutzle deplores the current administration's unwillingness to consult its allies in Europe, what we are probably hearing is more a former junior partner in NATO than a SIPRI director. His discussion of the ABM Treaty and the President's stubborn efforts to interpret it in such a way as to allow the development of SDI to continue is of another stamp.

An agreement on intermediate-range weapons in Europe seems possible because the Soviet Union has agreed to discuss that issue separately from SDI and the French and British nuclear forces. The latter, incidentally, are to be modernized and strengthened. But progress on the issue of the superpowers' strategic nuclear weapons--and their arsenals are by far the largest--is scarcely possible if the ABM Treaty, which regulates U.S. and Soviet defenses against incoming nuclear missiles, is in practice reinterpreted in a way that the Soviet Union cannot accept.

Here something is going on in the background: an extremely important dispute in which leading U.S. senators, among others, are heatedly attacking the Reagan administration's interpretations. Walther Stutzle fully shares the opinion of those critics and says that he, like others in Europe, was surprised when the so-called broad interpretation of the ABM Treaty was introduced in 1985. Later this year, SIPRI will publish a book dealing solely with the ABM Treaty, and two of the contributors will be the U.S. and Soviet chief negotiators of that treaty.

Like other writings, including Stutzle's analyses in the yearbook, that book is bound to attract attention in the rest of the world. It will consist of expert essays on vital issues by people with profound knowledge and long experience. Some people here at home may turn up their noses at the new order now in place at "their" peace research institute, but SIPRI may at long last be in a position to grow into that advanced international forum which it was intended to be at the start.

11798

CSO: 3650/176

PAPER PREVIEWS ECONOMIC POLICY ISSUES FACING SDP CONGRESS

Stockholm DAGENS NYHETER in Swedish 25 Jun 87 p 2

[Editorial: "Master Of The Movement"]

[Text] The party leaders write in one of the proposals for the Socialist Conference this fall that a fair division of welfare, voting opportunities and influence constitute the nucleus of the social-democratic ideology. From this evaluation, many within the movement draw rapid conclusions about what means should be used: "let the high-income groups pay higher taxes," "increase the social welfare allowances," "tweak the ears of the financial puppies."

The problem with such recommendations, if they have any other meaning than that of being part of the liturgy of a conference high mass, is that they directly counteract what should be the goal: increasing and equalizing the welfare.

If the economic conditions are not taken into consideration, there will only be losses left to distribute, not increased welfare. If unemployment increases because Sweden loses its ability to compete and a high rate of taxation twists the economy, then the real inequality will grow between those who have a job and those who do not. If trade deficits versus other countries and the budget deficit are viewed as unimportant, they will easily reach levels that will later force drastic reductions in welfare programs and that will, in the meantime, force up interests and inflation, creating unwarranted gains for those who happen to own the right real assets.

The important part of the social-democratic party leaders' opinions about the economy and the taxes before the conference is not the political ambitions that are indicated. They are well known and fairly general. A party leadership does not want to get pointers about details from the conference, especially in regards to government. No, it is the pedagogy that the party leaders are developing about the connections and complications in the world we happen to live in. Behind it is mainly Karl-Olof Feldt, who has been "opinion responsible."

The members in general and the conference representatives in particular can read that a strong economy is necessary for attaining a good society. This strong economy "requires that the goods and services produced in Sweden not be

to expensive in order to allow us to compete with foreign products. That presupposes that the inflation remains low." In order to keep the inflation down "the budget policy must continue to be tight" and the tax rate "will become lower and more uniform." We need "a tax system that stimulates production and growth" and a high quality educational system.

Simple truths perhaps. But since Feldt has managed to get the party leaders to agree to express them, and to expound on them with great intensity, it has an important political meaning: the leaders seem less inclined than previously to give way to the movement's prejudices and misconceptions and are instead trying to explain the real situations, rather than halfway agreeing with follies.

It remains to be seen how consistently this honorable attitude is maintained in the future. More than once, the government has made symbolic offerings without a factual basis. The obviously lightweight appearances by Stig Malm may now have made it easier for Feldt to hold his own.

Even if the party leaders appear decided about such things as lower taxes and the importance of industry's ability to compete, they are stepping considerably more carefully on another sore toe: the public sector. Certainly, an increased tax burden was rejected, and the scope that exists for consumption increases during the next couple of years ought, according to the party leaders, to go to increases in wages and reductions in working hours (so much for Bengt Lindqvist).

The need for reevaluating the criteria for public services and transfers is immediately increased by these attitudes. If the tax limit has been reached, it becomes extra important to lessen the pressure from expensive transfers, for instance, through elements of incentive reserve systems in ATP (the General Supplemental Pension System) and to break the monopoly regarding service production.

"The common sector can never be regarded as having achieved its final form," the party leaders wrote, but they actually seem to feel that the service and insurance systems, contained in it today, have achieved it.

Even the Moderate Party, which, on the same day, presented its party leaders' proposal on taxes and welfare before the national conference this fall, is careful about concrete proposals for changes in what is now handled by state and local authorities. It proposed that almost all pay an income tax of, at the most, 35 percent (which means that the state income tax almost disappears) and the property tax will be totally eliminated as well as the sales tax and the double taxation of stocks. The taxation of businesses will even be reduced. The confidence in the Moderate Party's actual ability to offer all these good cigars is weakened by the fact that the party says that it can manage this with a "restrictive spending review of state and local authorities" instead of honestly coming in to discuss changes in the large spending programs.

The general public can probably put up with more honest discussion and examination of future services and insurance systems than party leaders seem to believe.

FORMER AMBASSADOR URGES MORE ACTIVIST POLICY IN GULF

Istanbul GUNAYDIN in Turkish 13 Jun 87 p 9

[Article by former Ambassador Nuri Eren: "The Strategic Balance in the Gulf is Changing"]

[Text] In the 40 years since the end of World War II, there have been nine wars in the Middle East. These are: the four Arab-Israeli wars, the Yemeni-Egyptian war, the war between North and South Yemen, the Lebanese-Israeli war, the continuing war between the PLO and Lebanon and the Iran-Iraq war which is the latest. The two superpowers were involved in virtually all these wars either through American political support or through Russian military assistance. However, the forces of the two superpowers never faced each other directly. The geostrategic reason for that is that since the Yalta agreement, the Middle East has been considered an American area of responsibility. In almost all the wars in the Middle East, the Americans declared that they would not tolerate Russian intervention.

This American assertion first manifested itself as the Truman Doctrine which envisaged aid to Turkey and Greece. Eisenhower expressed this claim by supporting the Baghdad Pact. During the 1973 Arab-Israeli war, the United States put its entire armed forces on a high state of "alert" when the Soviets prepared to ship arms to Egypt which was their ally then. More recently, Presidents Ford and Carter asserted U.S. dominance in the region through various declarations and by establishing bases in Diego de Garcia, Somalia and South Yemen [as published]. President Reagan contributed to this pattern by guaranteeing free shipping through the Strait of Hormuz.

Consequences of Oil Shipping

However, this time the situation is different. The United States and the Soviet Union are confronting each other for the first time. Kuwait invited the Soviet Union to protect its oil shipping. The Soviets accepted immediately; they reflagged three Kuwaiti ships as Soviet vessels [as published] and gave them their protection. This protection is tantamount to an invitation of Soviet military intervention. Kuwait extended the same invitation to the United States. The United States reflagged 12 Kuwaiti ships and sent its warships to the Gulf. One of these ships was accidentally hit by

the Iraqi air force. The gravity the situation was proven from the very outset. What will happen if the Soviet Union sends its fleet to the Gulf to protect ships flying its flag as the Americans have done?

There is always the danger that Soviet and American military units may engage each other in a fight as a result of some inadvertent accident in those narrow straits. Moreover, the Soviet Union has set foot in the Middle East which has until now been in the U.S. area of responsibility. Stated differently, the dispatch of a Soviet fleet to the Gulf is equivalent to the dispatch of American troops to Poland. It is tantamount to the violation of an accord which lies at the root of the relations between the two superpowers. This is why President Reagan has insistently declared that "safeguarding free passage of shipping in the Gulf is our responsibility." However, Reagan's insistence notwithstanding the situation is not so clear. Reagan's decision to dispatch a U.S. fleet to the Gulf has led to a new conflict between Reagan and the American public. This issue is of interest to Turkey in many ways. That is why we find it necessary to elaborate on this issue.

The free passage of oil through the Gulf is of geostrategic importance for Iran, Iraq and Kuwait. It is vitally important for Iran's ability to continue the war. Iran finances its war with Iraq with its oil exports. The Gulf is the only outlet Iran has for its oil exports.

A Festering Wound

The same is true for Kuwait. But Iraq is in a different position. Iraq can transport its oil by pipelines through Turkey, Saudi Arabia and Jordan. It is in Iraq's interests to stop Iranian oil shipments.

This situation, which can lead to a direct Soviet-American confrontation, is the result of the gangrening of a wound which has been festering for years. In the last 3 years, ships passing through the Strait of Hormuz have been attacked with increasing frequency. In 1984-1985, 62 ships were damaged. In 1986-1987, 100 ships were attacked and 98 people were killed; 44 ships were completely destroyed. As would be expected, 108 of these attacks were carried out by Iraq. Iran mounted 72 attacks in retaliation. Iran's objective is not to close the Gulf to shipping, but to keep it open by applying pressure on Saudi Arabia, Kuwait and the other emirates. Indeed, it has achieved its goal. The steps taken by both the United States and the Soviet Union are aimed at keeping the Strait of Hormuz open. The United States and the Soviet Union which do not want Iran to win the war have this time contradicted their own objectives. This contradiction has resulted in a confrontation between the Reagan administration and Congress and the press. This, in turn, has cast doubt on Reagan's ability to carry through with an intervention despite his strong stance.

Only Congress Can Declare War

The daily, INTERNATIONAL HERALD TRIBUNE, takes a realistic approach toward the conflict: What will happen if an Iranian suicide pilot manages to penetrate the American defense system equipped with the most modern computers and sinks an American warship? Is the United States prepared to retaliate by bombing

Iranian airfields or by invading an airfield near the Gulf? Or will it cut and run as it did after the attack on the American marines in Lebanon? An invasion of Iranian airfields is tantamount to war. Is the United States prepared for a war in the Gulf? Only Congress can declare war, and at present Congress is not in the mood to do that.

The Reagan administration must decide its goals in the region. THE NEW YORK TIMES says in an editorial: The United States must (1) state that it will safeguard freedom of shipping in international waters; (2) make clear that it will not tolerate any interruptions in the flow of Middle Eastern oil to Japan and Western Europe; and (3) be careful not to create opportunities for the Soviets to intervene since the Middle East is in the area of responsibility of the West.

However, there are certain prerequisites for the implementation of this policy in a systematic and reliable manner. One of these prerequisites is the notification of Congress about the policy that has been formulated; the approval of the Congress is essential, because otherwise the administration will clash with Congress as it did over Nicaragua. When that happens, the United States not only remains ineffective against a tiny country, but it loses the confidence of its allies, large and small. For example, its decision to cut and run from Lebanon has led to a complete mistrust among the Arabs. This is why Kuwait appealed to the Russians. This lack of confidence created a window of opportunity for the Soviets. Even staunchly anti-communist Saudi Arabia is on the verge of establishing diplomatic relations with the Soviet Union.

The second prerequisite is the understanding that the preservation of the political and geographical order in the Middle East is not the responsibility of the United States alone. Beset by the largest budget deficits in history, the U.S. administration is being forced to cut its defense spending which has the largest share of its budget. The United States has come to the conclusion that it cannot perform the task of defending the Middle East on its own.

Time Bombs in Neighboring Nations

In view of all these conflicting interests and disputes, one may initially conclude that Turkey must continue its present policy of noninterference and inactivity with respect to Middle Eastern problems. That is an extremely comforting posture. But it is not a realistic one. Because time bombs are ticking under the regimes ruling all our neighbors and their political and geographical status with respect to each other. The decline of U.S. influence in the Gulf and the gradual growth of Soviet influence would change the geostrategic situation in the region. In particular, such a situation would create an unexpected and undesirable dimension in Turkey's relations with the Soviet Union. The Soviets' shaky foothold in Syria would be consolidated if it gains influence in the Gulf. Turkey would be encircled by a Soviet arc extending from Bulgaria to Iran and Iraq. If the Soviet Union establishes a presence in the Gulf, it would work for the establishment of an independent Kurdish state by uniting the Kurds of Iran and Iraq as it did after World War II.

Consequently, it has become imperative for Turkey to reevaluate its passive posture in the Middle East. As we have written earlier, Turkey must expand its alliance with the United States with an agreement outside the NATO framework and must complement it with measures designed to preserve the status quo of its neighbors. In fact, this is a major deficiency in our relations with the United States. It is one of the reasons Congress has repeatedly limited aid to Turkey. However, if Congress' opposition to U.S. intervention in the Gulf forces the Turkish government not to remain passive in the preservation of the status quo in the Middle East, as the most powerful strategic country in the region, Ankara must consult with Germany, France, Italy and Britain and must explore joint deterrent measures. This way, by pursuing common goals, Turkey may gain some influence over the United States. This active diplomacy with the West must be coordinated with pro-status quo countries in the region such as Saudi Arabia, Egypt and Jordan. It is only thus and through its own efforts that Turkey may protect the imperiled security of its southern borders. Meanwhile, our people must not forget for a moment that the modernization of the armaments of the Turkish armed forces is more important than the constitutional crisis, economic problems and electoral pains in our domestic politics.

9588

CSO: 3554/288

SISU WINS CONTRACT FOR 300 PASI ARMORED PERSONNEL CARRIERS

Helsinki UUSI SUOMI in Finnish 8 Jul 87 pp 1, 25

[Text] On Tuesday a deal between the Defense Ministry and Sisu Motor Vehicle Co. was signed providing for the manufacture by Sisu of over 300 Pasi armored personnel carriers and Masi all terrain transport vehicles over the next 5 years.

The total value of the order is 310 million markkas. It is the biggest deal in Sisu's history.

Sisu operations manager Jorma S. Jerkku denies that the deal is a turning point for the company's fortunes.

"The order is a real and important addition but Sisu would get along and grow even without it."

These special vehicles will be manufactured at Sisu's Hameenlinna factories and will occupy about half of the workers there.

Eleven of the Pasis will be shipped to Finnish UN peacekeeping forces in the Middle East. The rest will be sent to defense installations throughout Finland where one of their uses will be for training.

Sisu operations manager Jorma S. Jerkku denies that the order was a lifesaver for the poorly faring company.

"The order is a real and important addition for our operations but it is not a turning point. It does add to our long-term security."

"The financing of this deal is to be spread over 5 years meaning 60 million markkas a year. It needs to be remembered that Sisu has annual sales of 700 million markkas," says Jerkku.

Filling the order will have a manpower effect of 580 man-years. The vehicles will be built at the Hameenlinna factories of Sisu where about half of the employees will be occupied in filling the order. The other half will be building forklifts for export.

The armed forces will place most of the vehicles at various bases for use in personnel training. Eleven of the Pasis will be shipped to Finnish UN peacekeeping forces in the Middle East.

Jerkku says that the vehicles are basically the same as earlier models but a little more modern.

Sisu on the Rise

Sisu has been in a downward slide during the last few years, but operations manager Jerkku said that the increasing deficits were halted last fall. Net income for last year was zero after years of losses amounting to tens of millions of markkas per year. The company feels that the decision to get out of the unprofitable passenger car field was the correct thing to do. Other corrective actions included the letting go of some employees and increasing production efficiency.

13002/9604

CSO: 3617/130

NAVY ORDERS FOUR HELSINKI-2 CLASS MISSILE BOATS

Helsinki HELSINGIN SANOMAT in Finnish 17 Jul 87 p 6

[Text] The navy will be getting four more missile boats. On Thursday the government gave the navy permission to order the boats from Hollming's dockyards in Rauma. These new missile boats will be armed with cannons procured from Bofors in Sweden. The battle and fire control systems for the craft will be provided by Philips Elektronikindustrier of Sweden.

The purchasing of these missile boats is within this year's budget, which provided for the obtaining and arming of a missile boat fleet during the period 1987-92. The provision totals 760 million markkas. In addition to the boats themselves and the guns and fire control systems decided upon at this time, the intention is to make decisions concerning other special equipment later.

The effect of the deal on the Rauma-based Hollming's manpower needs is about 700 man-years. The portion of domestic share is around 70 percent.

Lowest Bid from Hollming

This purchase continues the effort to get a fleet of Helsinki class missile boats which was completed in 1986. Wartsila manufactured the boats bought prior to that time. Competitors submitting bids for this order included Wartsila, Hollming, and Rauma-Repola. According to reports, price is what decided the matter in Hollming's favor.

This new order is the second of the three flotillas recommended by the third parliamentary defense committee. The new craft will be ready between 1990 and 1992.

Basically the craft design is dictated by experience gained with the Helsinki class missile boats. More precise design objectives have led to a somewhat smaller craft, states the Defense Ministry.

These Helsinki-2 class missile boats are essentially similar to the earlier Helsinki class boats. One change is that the usual propellers have been replaced by a water jet propulsion system. Diverse sophisticated and modern military equipment will be installed on the boats at the dockyards.

Four shipboard cannons will be ordered from Bofors. Eventually these cannons will be installed on the four boats as their standard guns. The battle and fire control systems will be purchased from Philips of Sweden. Both Bofors and Philips have contracted to make purchases of equal value from Finland.

13002/9604

CSO: 3617/130

SAUDI MARKET SOUGHT FOR MIRAGE 4000, AMX-40, SUBMARINES

Paris LE MONDE in French 24 Jun 87 p 16

[Article by Jacques Isnard: "French Manufacturers Seek to Sell Saudis 250 AMX-40 Tanks and 100 Mirage 4000 Fighters"]

[Text] French arms manufacturers are chasing every facet of the Saudi market at the risk of knocking each other out of competition and leaving the way open for foreign suppliers. An illustration of this was provided at the Aeronautics Show that closed Sunday, 21 June, at Le Bourget, and at the land weapons show that opened Monday, 23 June, in Satory. The state, which in this instance means the Ministry of Defense, chooses not to referee this Franco-French competition. It refuses to intervene, on the grounds that it is up to the best French producer to win the Saudis.

At Le Bourget, the Dassault-Breguet group presented one Mirage 4000, which is the twin-jet version of the single-jet Mirage 2000 fighter in use in France and abroad. Conversations with the Saudis left the impression that Riyadh might be interested in acquiring 100 Mirage 4000's, since the United States has created obstacles to the delivery of new F-15 aircraft.

However, the Mirage 4000 is not operational in its present configuration, and its development, if Riyadh were to follow up on the current discussions with the manufacturer, would require further experimentation, possibly at the cost of the buyer. Such experimentation would take place at Mont-de-Marsan, which is a specialized French air force base. The minister of defense, Mr Andre Giraud, apparently does not favor this prospect, and would prefer the Saudis to be interested in the Rafale, a lighter twin-jet than the Mirage 4000 and destined to enter into service, sometime after 1996, with the French air force and naval air, as the prime minister indicated at the Bourget show.

In Satory, the Land Weapons Manufacturing Group (GIAT), which includes 10 arsenals, displayed the AMX-40 combat tank. This armored vehicle, weighing 43 metric tons, has not been ordered by the French Armed Forces, which chose to replace its AMX-30's with the new Leclerc tank. On the other hand, the AMX-40, baptized "the desert tank" by its producer, interests the Saudis, and ongoing discussions with Riyadh involve

the acquisition of 250 tanks of this model, designed, according to GIAT, for open spaces and hot climates.

In contrast to the case of the Mirage 4000, the army's technical services, which form part of the General Directorate for Armament, have supported the builder of the AMX-40 in the effort to impress the Saudis, providing assistance with demonstrations and thereby conferring a quasi-official status upon the tank. In principle, the Saudis will make their decision this summer. They are also attracted by the German Leopard-2 tank.

Franco-French War

As important as they are, the Mirage 4000 and the AMX-40 are not the only military supplies France is offering to Saudi Arabia. In fact, the list of equipment possibly destined for Riyadh also includes conventionally-powered attack submarines carrying torpedos, and Atlantique-2 maritime patrol aircraft, which the Dassault-Breguet group is also hoping to sell to the Federal Republic of Germany. Foreign shipyards are in competition with France for the chance to deliver attack submarines to Riyadh, and the United States is offering to supply Orion aircraft, which compete with the Atlantique-2.

It is the Franco-French trade war, taking place in the context of ferocious rivalry with foreign equipment suppliers, that worries and vexes officials of the Ministry of Defense in Paris. Officially, one plays by the rules of the international market and refuses to organize the French offensive, which would make it more credible. "Let the best man win," the ministry says, "the one that can persuade the customer."

In reality, the situation is not so simple. The appearance of the Mirage 4000 is looked upon harshly by the French authorities, who do not conceal the fact that the manufacturer should not expect any official help. On the other hand, the government is ready to help boost sales of the AMX-40 and to promote the delivery of submarines, since the Saudis, by buying destroyers and anti-surface helicopters from France several years ago, have entrusted Paris with the modernization of their military fleet. France's freedom of commercial movement remains in this case a ticklish matter. By trying to do too many things at once, the French may get nothing from a customer whose financial capabilities are no longer unlimited.

13221/9190
CSO: 3519/139

PAPER SURVEYS MIRAGE'S PAST, FUTURE

Paris LE FIGARO in French 28 Jun 87 p 6

[Article by Pierre Darcourt]

[Text] In a few days the Mirage 2000 will celebrate its 3d year of service in the Second Fighter Squadron based at Dijon.

Since 2 July 1984 it has been unobtrusively accumulating thousands of hours of flight time there (5,000 in April 1987). Air defense, "AD," (1) has been gradually equipping three squadrons with this plane. Mission: "constant readiness" 24 hours a day, 365 days a year. Air defense is responsible for guarding our national airspace.

A superior aircraft despite its reduced size, the Dassault-Breguet Mirage 2000 in Air Force service (2) is optimized for mastery of the sky, a mastery which demands success both in interception or aerial combat and on air patrol and air assistance missions.

The secret of its maneuvering capabilities in combat is its optimized aerodynamics allied with electrical flight controls with exceptional reliability and a very reliable engine.

Let us add that its takeoff and landing capabilities over comparatively short distances and ultramodern maintenance make this "2000" weapons system an aircraft highly respected by its pilots and mechanics.

There is a great deal of proof. Let us cite three examples. They illustrate perfectly the interceptor's qualities:

1. Participation in the Datex air defense exercises since 1985, participation reflecting Air Force confidence in this all new aircraft;
2. The score by the Dijon squadrons in the Coupe Comete events in 1986, a contest placing all Air Force fighter units in competition; both participating squadrons took two first places, showings attributable to the qualities of the Mirage 2000 and to the skill of the pilots, mechanics and controllers who maintain them and fly them, a skill reflecting the rapidly acquired mastery of the capabilities of the "2000"; and

3. The 40,000-km Far Eastern swing, the equivalent of a trip around the world, made in the summer of 1986, with no problems. A few figures sum it up: touch down in Jakarta--18,000 km--with in-flight refueling and only two stopovers that is almost non-stop! Sixteen in-flight approaches in far from temperate weather conditions with 100 percent performance. Rarely seen in the aeronautics industry!

Abroad

In 1987, during about 30 demonstrations the Mirage 2000 will again allow the skill of our pilots who fly it to be demonstrated. In France for sure, but also abroad in conditions as different as those in Norway or Turkey.

Our pilots will be there, then, simultaneously as ambassadors of the French Air Force and aeronautics industry.

Let us add that the Air Force will activate new squadrons of AD Mirage 2000's at the rate of one fighter squadron per year. Equipped with a pulse-Doppler radar which allows for "seeing below," equipped with Super 530 D missiles, propelled by M 53 P2's with nearly 10 tons of thrust, and in conjunction with French AWACS, these AD Mirage 2000's will then be superior aircraft about which many air forces dream.

The years 1984-1987 were 3 years of service for the Mirage 2000. An aircraft which perfectly satisfies what "the old gentleman," its builder, and the Air Force expected of it. Logical. "A beautiful aircraft flies well," Marcel Dassault used to say.

FOOTNOTES

1. AD's primary mission is to guard the integrity of our national air space, the largest in Europe after the Soviet Union's, and to broadcast alerts. Overseas, air defense ensures an identical mission in Djibouti (with Mirage IIIC's). In Chad, thanks to its Mirage F1's, it ensures air patrol coverage.

2. A new type of 2000 was delivered to the Air Force last February. This is the 2000 N for nuclear penetration, which will replace the Mirage III E and Jaguar for this mission beginning in 1988.

9436/12951

CSO: 3519/144

THOMSON, ELECTRONIQUE SERGE DASSAULT VIE FOR RAFALE RADAR

Paris LES ECHOS in French 17 Jun 87 p 7

[Article by Didier Pavy: "Thomson and Electronique Serge Dassault-- Partners and Rivals for the Rafale"]

[Test] With both companies belonging to the ACE International Economic Interest Group, in which each holds a 10 percent share, Thomson and Electronique Serge Dassault (ESD) will collaborate on a 50/50 basis on the electronic countermeasures for the land-based (LBF) and sea-based (SBF) versions of the Rafale demonstrator. On the other hand, the two manufacturers are independently seeking to place radar systems of differing designs in the fighter. The administration will deliver its verdict at the end of 1988. In all probability, the victor will seek the help of the vanquished in producing the system that is ultimately chosen.

ESD did not join the ACE International Economic Interest Group when it was formed at the beginning of the year. This is because the administration did not intend for ESD to play a major role in this operation. It was believed that only Thomson would be able to provide, in a timely fashion, the main electronic component of future French fighters: the radar.

Indeed, the firm led by Alain Gomez had ready in its laboratories a nearly complete prototype of the RDY radar, a derivative of the RDM and RDI radars with which the Mirage 2000 is equipped. The prototype was developed on the basis of the RACAAS experimentation and development program (begun in 1980), and is intended for the Rafale. Under these conditions, ESD could only be considered for a cooperating role--particularly for the countermeasures--or as a Thomson subcontractor, as is already the case for the RDI radar.

The management of the electronics firm that emerged from the Dassault empire did not see things that way. First, because ESD is no newcomer to the field of fighter weapons systems: it is project leader for the Antilope terrain following radar with which the 2000 N attack version of the Mirage is equipped, and its Anemone radar has been selected by naval air for the modernization of the Super Etendard. Second, because it too financed and developed a derivative of the Mirage 2000 N radar, baptized

the Antilope 50, and has offered it to the administration for the future LBF. The Ministry of Defense decided to study the proposal carefully.

This was how ESD won its entree into the ACE economic interest group. The two French electronics firms are seeking to sell the military two opposing versions of the radar for the future fighter. Thomson, with its RDY, is proposing an air-air radar that is already well suited to the SBF and which the addition of electronic scanning and terrain-following capability would allow to conform to the specifications of the future LBF weapon system, under the initials RDX.

On the other hand, the nationalized firm (Thomson), which has spent nearly Fr1 billion of its own capital on this radar system (although the RACAAS program on which it is based was largely financed by the state) has some lead over its competitor, since it has just flown a prototype of the RDY.

At ESD, it is believed, by contrast, that the future Rafael system must be based on a terrain following radar--which, in the case of the Antilope 50, even offers the possibility of skirting the sides of natural obstacles--to which would be added air-air capabilities suitable for the future missions of the LBF.

The private firm plans to fly a "shaped mock-up model" of its system at the end of the year, and a prototype no earlier than 1989. But ESD believes that the system could be off the assembly line in 1993. For its part, Thomson has announced that the future RDX would be available in 1990.

In view of the need ultimately to produce an aircraft that will be as competitive as possible in the supercompetitive military export market, and given the power of American industry in this field, it is hard to imagine that this battle between Thomson and ESD could turn into an open confrontation or a duplication of efforts. It is likely that by the end of 1988, once the armed forces have made their decision, the two firms will cooperate on the new radar, with an advantage accruing, of course, to the firm whose system is chosen.

13221/9190
CSO: 3519/139

FRANCE

MILITARY

BRIEFS

EXOCET SUCCESSOR PASSES TEST--A test of the supersonic antiship missile, successor to the "Exocet," was successfully carried out on 21 May. According to Aerospatiale, which built both weapons, the new missile made a full trajectory at low altitude. Flying 150 meters above the water, the supersonic antiship missile reached a speed above mach 2, i.e., twice the speed of sound. Developed with the German firm MBB, this missile, which may be operational in 1994, will have a range of 180 kilometers. [Text] [Paris LE FIGARO in French 24 Jun 87 p 21] 9436/12951

CSO: 3519/144

LONG SERIES OF ARMS SALES TO IRAN, IRAQ REPORTED

Athens I KATHIMERINI in Greek 15 Aug 87 p 1

[Article by Rikhardos Someritis]

[Text] There were indications and suspicions for a long time: now there is proof. Greek hands manufactured, and Greek companies--mainly the PYRKAL [Munitions and Cartridge Company]--sold, huge quantities of war materiel that changed the Euphrates estuary into a lunar landscape. For a handful of dollars, "peace-loving" Greece has thus become implicated in the terrible and unbelievably murderous war between Iran and Iraq. One of the contracts--characteristic and very revealing--was signed in 1985 and implemented in 1986; it concerns the sale to Iraq by the PYRKAL of war materiel worth 83,622,000 dollars. According to the terms of the contract, the materiel was to be handed over at the Saudi Arabian military port of Quantima.

One of the most surprising aspects of the contract refers to the method of payment: 20 percent of each shipment upon loading, 25 percent two years later with a 4 percent rate of interest, and the remaining 55 percent 3 years later with the same 4 percent rate of interest. Obviously, the PYRKAL officials not only believed that they had to contribute to the perpetuation of the war with Greek deadly materiel, but also that these weapons had to be granted at ridiculous conditions.

This contract is not the only one. And Iraq is not the only "customer" of the Greek death merchants. According to cross-checked information, it is certain that Greek companies take an active part in Iran's war effort, either from Greece or from abroad. Some of this information has been published in the magazine ANDI, and some abroad. The issue is believed to be an "open secret" in Greek diplomatic circles. And many have correctly related it to the recent and somewhat strange visit to Tehran by Minister of Foreign Affairs K. Papoulias.

In the summer of 1986, the New Democracy's group for parliamentary control in defense issues had already revealed that munitions from the Greek army had been given to the PYRKAL as a "loan" in order that they be sent to Iraq. Every now and then, reports are published both in Greece and abroad about Greek ships loading or transporting weapons and munitions to unknown or false destinations. It is true that many huge Greek fortunes have been created through the legal or

illegal traffic of arms. What is somewhat "newer" is the direct--in the case of Iraq--and indirect--in the case of Iran--intervention by the state.

Of course, many non-Greeks are also involved, and to a greater extent, in the most terrible massacre of our days. There is the case of "Irangate," as well as Israel's involvement; there are also the French sales of weapons systems to Iraq. However, this is not sufficient to cover Greece at the political and moral levels.

Moreover, it is not certain that an eventual cost to the country for its intervention in the Iran-Iraq war has been seriously considered. The fact that no one in Greece has been asked whether our country's participation in the club of the merchants of death was agreeable is another question.

Of course, this does not prevent "peace-loving" initiatives in the Balkans, hopes for a Nobel Peace prize (after all, did not Nobel himself make his fortune in munitions?), and condemnations of Truman about Hiroshima and Nagasaki which, however, ended World War II. And it is not be excluded that the honest hands of PYRKAL workers may have recently contributed to the "peace chain" around the Akropolis, and not at the entrance of the factory or at Kastri.

/9274

CSO: 3521/179

SPAIN

MILITARY

NEW ZARAGOZA MILITARY ACADEMY DIRECTOR NAMED

Madrid DIARIO 16 in Spanish 4 Aug 87 p 5

[Excerpts] "I am going to fill a slot opened because of a promotion": This was the statement made by General Calderon upon learning of his appointment as director of the Zaragoza General Military Academy.

The general denied that his designation had anything to do with the report that appeared in DIARIO 16 disclosing the presence of presumed cheating in the tests for admission to the Zaragoza academy.

Sources from the Defense Ministry informed EFE yesterday that Infantry Brig Gen Javier Calderon Fernandez had been named director of the Zaragoza General Military Academy.

Gen Javier Calderon replaces in the position the heretofore Brig Gen Jose Jimenez Perez de Larraya, who has left his position upon being promoted to division general with a change of assignment.

Calderon Fernandez entered the General Academy in 1949 and, until his new appointment, was general deputy director of educational organization for the Defense Ministry's General Directorate of Education.

Born in 1931, the new director of the Zaragoza General Military Academy has held various positions in several units.

Javier Calderon was promoted to brigadier general in March 1987, and is a specialist in educational fields.

2909
CSO: 3548/105

REVIEW OF ARMS MANUFACTURE SECTOR SHOWS CRITICAL SITUATION

Madrid ABC in Spanish 4 Aug 87 p 17

[Text] According to sources in the sector, the private weapons and defense equipment firms are confronting a "highly disturbing" situation which could end in closings by owners. The Defense Ministry's limited national purchases and the restrictions on exports are cited as leading causes. According to the informing sources, exports "have been curtailed drastically" with the Socialist government.

The private business owners in this sector blame the Socialist administration for having imposed severe restrictions on exports which, combined with the small domestic market, have placed them in a difficult situation that could lead to management closings during the coming years.

According to the informing sources, during the past decade, owing precisely to the export activities, the sector made major technological and industrial progress, attaining a production capacity far in excess of national purchases. The leading domestic client, the Defense Ministry, "has some budgets that are still overloaded in the category of personnel expenses and, moreover, it is making its major purchases in the context of large-scale programs in which Spanish companies are not participating, or is making them in a very small proportion, such as the EFA program, or the purchase of low altitude missiles."

In this predicament, the informing sources stress that export is vital for their survival, but this "has declined drastically" with the Socialist government. According to the data procured from the sector itself, exports have declined from \$125 billion in 1982 to about \$60 billion in 1986.

The business owners think that the situation requires an "urgent, coordinated, effective" action on the part of the administration, to cope with conditions which, if not changed, "will cause a serious sectorial crisis, despite the fact that, paradoxically, the sector is in the best technological and commercial circumstances for contributing effectively to the national economy and to the defense requirements."

According to the informing sources, one of the essential causes of the sector's predicament is the fact that "the operation of the Spanish administration's authorized agencies is hampering, if not completely impeding export activities to countries with greater demand."

The foreign market has suffered considerable weakening as a result of the world economic crisis, which brought about a drastic cut in the purchases made by countries with less demand while, "for their purchases, types of financing which are generally forbidden to Spanish companies, but which, nevertheless, are used normally by competing foreign firms in countries from the NATO and EEC area, are being demanded."

The companies in the sector criticize the government's "method of operating," for the increase in the number of countries to which exports are banned, or made difficult; the inclusion of countries on this list without prior notification, even denying export permits in the case of supply contracts signed during an immediately previous period; the suspension, without prior notice, of export permits during the period of their validity; or the refusal to extend validity periods of export permits for supply contracts which are ongoing and authorized.

They stress that this type of operation is in sharp contrast to that used by other countries in the NATO and EEC area, whose business firms are engaged in an active export policy on markets which the Spanish industries have entered to a large extent, and which, nevertheless, "could be lost immediately."

Personnel Regulation in a Sector With 60,000 Workers

The sector of weapons and defense equipment firms employs about 60,000 persons, approximately half of whom work in auxiliary industries.

The manufacturers of light weapons and ammunition are the ones who are undergoing a worse situation, as business sources have reported. These companies are the ones most hurt by a Defense Ministry policy in which they criticize the fact that the largest portions of the budgets for equipment purchases go to large projects, with meager or zero participation among Spanish companies.

One businessman commented: "Our share in those programs is so ridiculous that we can only provide the rivets or the welds." Another leading businessman in the sector claims: "I can produce in a day what the Defense Ministry buys from me in 4 years," stressing the fact that "the Spanish Army doesn't need ammunition, because it is shooting increasingly less."

Cited as an example of the situation is the case of Esperanza & Co, located in Marquina (Vizcaya), which was a leading export firm in 1982 and, for months, has had 75 percent of its personnel subjected to employment regulation. With capital stock of 400 million pesetas, entirely Spanish, its main products are mortars of various calibers and ammunition for them.

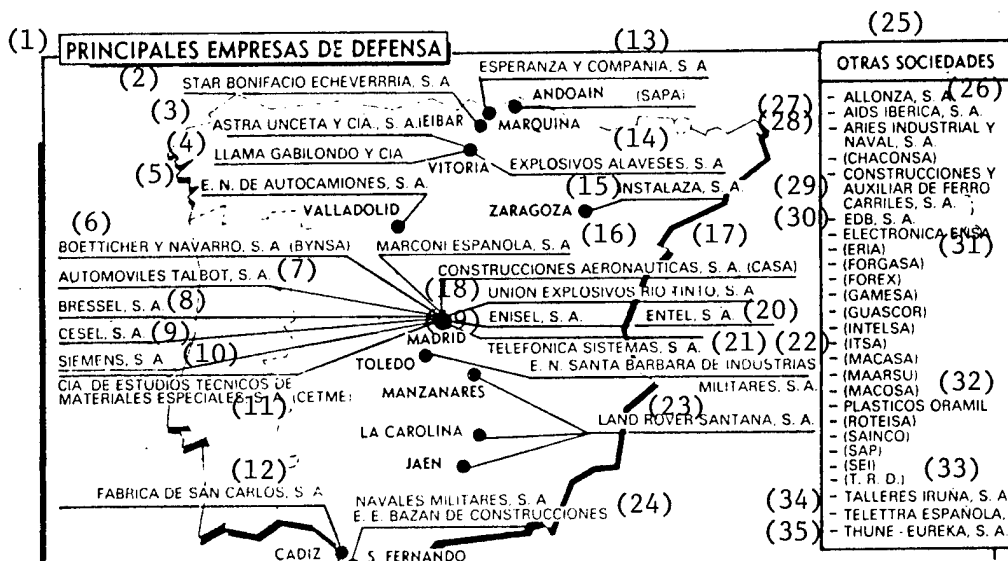
At present, it is competing in the United States to sign a contract involving millions for the sale of its 120-millimeter mortar, in competition with Israel and France. The tests for the purchase of this mortar by the U.S. Army date back to October 1984, and they have not ended yet. Nevertheless, according to company sources, Esperanza & Co has already risked \$3.5 million on this operation, which it will not be able to recover if its mortar is not the one selected.

Another company, such as Placencia de las Armas, with headquarters in Andoain, engaged in producing antiaircraft equipment, is surviving as a result of an alternative civilian product, looms.

In May, the minister of industry, Luis Carlos Corissier, told the Congress of Deputies that the sector is undergoing "major difficulties," noting that the firms in the defense division of the National Institute of Industry (INI) lost 35 billion pesetas in 1986, a year in which permits were denied for weapons exports worth 5 billion.

An immediate result of the "sector's serious situation" has been that some companies have left their research and development investment plans in abeyance, "which will cause major problems for their technological progress, and make the feasible nationalization of products with advanced technology slower."

The informing sources note that the basic criteria for the government's policy to support the sector "have not been reflected in action."



Key to Map:

1. Leading Defense Companies
2. Star Bonifacio Echeverria, Inc
3. Astra-Unceta & Co, Inc
4. Llama Gabilondo & Co
5. National Motor Truck, Inc
6. Boetticher & Navarro, Inc (BYNSA)
7. Talbot Automobiles, Inc
8. Bressel, Inc
9. Cesel, Inc
10. Siemens, Inc
11. Special Materials Technical Studies Co, Inc (CETME)
12. San Carlos Factory, Inc
13. Esperanza & Co, Inc
14. Alava Explosives, Inc
15. Instalaza, Inc
16. Spanish Marconi, Inc
17. Aeronautical Constructions, Inc (CASA)
18. Rio Tinto Explosives Union, Inc
19. Enisel, Inc
20. Entel [National Telecommunications Co], Inc
21. Telephonic Systems, Inc
22. Santa Barbara Military Industries National Co, Inc
23. Land Rover Santana, Inc
24. Military Naval, Inc & E. Bazan Construction

25. Other Companies
26. Allonza, Inc
27. Aids Iberica, Inc
28. Aries Industrial and Naval, Inc
29. Railroad Construction and Auxiliary, Inc
30. EDB, Inc
31. Ensa Electronic
32. Oramil Plastics
33. Iruna Shops, Inc
34. Spanish Telettra
35. Thune-Eureka, Inc

2909

CS0: 3548/105

ARMED FORCES' DEFICIENCIES, POOR ATTITUDE REVIEWED

Madrid CAMBIO 16 in Spanish 10 Aug 87 pp 36-37

[Excerpts] An unprecedented military survey of a confidential nature has disclosed that one out of every two soldiers admits to being a misfit and has a negative image of military service. The majority agree that the "mili" needs reform.

Accidents, suicides, and drug consumption are degrading military service in Spain. The military authorities have data from a poll based on a 360-question list submitted to 9,000 youths from the first 1986 replacement, from which one infers that after the sixth month, the soldier finds nothing stimulating in the "mili," a "mili" that the official polls themselves advise reducing, whose reform has been requested by extensive social sectors.

Since 1984, a period when the branches of service had one person injured every 2 hours, an accidental death every 44 hours, and a suicide attempt every 80 hours, the authorities have striven to combat the flaws in military service. The result has been a decline in the number of suicides (from 35 in 1985 to 29 in 1986), and accidents (from 1,375 to 1,219 in those 2 years).

The thorough analysis of these data enables the spokesman for the Army's General Headquarters, Lt Col Jesus Garcia Munoz, to claim that the traffic accidents during a weekend in Spain cause twice the deaths that an entire year of military activity involving maneuvers and firing practice would cause.

According to Manuel Alonso, leader of the CDS [Social Democratic Center Party] youth organization, the aspiration should be to eradicate accidents resulting from flawed instruction, unsuitable equipment, or culpable negligence. Serious disagreement with the official accounting is shown by Enrique Curiel, of United Left [IU], who claims that Spain is among the countries with the highest percentage of suicides during military service, and accuses the defense minister of "concealing the information concerning an unfortunate situation that is due to the meager training given to the soldiers and the old age of the equipment used."

"Once you enter, during the 'mili' service, you think of nothing but getting out. You count the days left, one by one. You think of nothing else," as

CAMBIO 16 was told by a soldier already discharged, Luis Sanchez. It is precisely the desire to forget the present situation that prompts the vast majority of recruits (39.3 percent) and soldiers close to discharge (42.9 percent) to consume drugs and alcohol in the barracks. But the appearance of drugs has not reduced alcohol consumption in the quarters.

Those familiar with the secrets of the military institution cite the disappearance of the internal intelligence services as one of the main causes that have given rise to a breeding ground for many of the defects (drugs, suicides, and beginner's mistakes) in the military service.

Upon the arrival of democracy, the aforementioned intelligence services which, during the dictatorship, had served to control the soldiers politically, using the well-known "informing" and the ranker sergeant, were abolished. This paradox and the new timetable system for the commands have relaxed troops which, after 1700 hours, are left in the hands of a considerable number of corporals and a few officers. It is starting at that time that most of the cases of drugs, alcoholism, and novice mistakes occur, according to a military intelligence chief.

Despite the fact that the "mili" is a topic of concern, few studies have been made to date in order to deal with its problems. A complete survey, with 1,294 persons interviewed, published in No 729 of CAMBIO 16, in November 1985, and another by the Sociological Research Center (CIS), disseminated last January, are virtually the only two serious attempts at a statistical approach to military service in Spain.

The CIS poll taken among 2,500 youths between the ages of 16 and 24, disclosed that those interviewed are inclined toward a stay of 6.5 months in the "mili." The youth organizations of the political parties are in agreement with these aspirations. The Centrists (CDS) propose a reduction to 6 months; the Communists (JJCC [Communist Youth]) also call for 6 months; New Generations (AP [Popular Alliance]) want 9 months; and the Socialists (JJSS [Socialist Youth]) call for 12 months. The information that the military authorities have reflects that 40 percent of the youths entering the Army have a negative image of military service. After a 5-month stay in the ranks, the level of maladjustment declines to 12 percent, but during the sixth month, the percentage shoots up to 50 percent. These figures are close to those from the CAMBIO 16 poll, in which 58 percent of those queried think that the "mili" is a school in which loafing is taught, and 62 percent claim that vices and bad habits are picked up in the ranks.

2909

CSO: 3548/105

DEFENSE UNDERSECRETARY ON PROBLEM OF TECHNOLOGY COSTS

Stockholm DAGENS NYHETER in Swedish 26 Jun 87 p 3

[Debate article by Per Borg: "Do We Need Our Tanks? Defense Needs Must Be Discussed Without Prejudice"; first paragraph is DAGENS NYHETER introduction]

[Text] Undersecretary Per Borg writes that perhaps we have to find other solutions to our defense problems than piece by piece replacement of all current weapons systems with more modern ones. The threat picture and our strategic situation must constitute a more important basis for the next defense resolution than the service-branch-oriented, turnover-thinking that has dominated the defense planning.

In connection with the Parliament's defense resolution concerning the next five-year period, the problems which will be encountered before the next important defense resolution, that is to say in 1992, were also discussed. It is important to carry on that debate continuously. In order to have a meaningful discussion about future problems, however, one must be aware of the current situation. The deciding question then is whether we have a strong enough defense today.

It is true that Swedish defense spending did not increase during the last 15-year period. This differs from the trend in certain other countries. It is also true, however, that we, during the preceding period, 1958-1972, increased Swedish defense spending more than that of many other countries. In all, this means that we, during the post-war years, built up a Swedish total defense that commands respect and which in all essentials is capable of solving its main tasks. I have never heard any major objections to this view of today's Swedish defense. Possible objections must be based on the question: What realistic military threats against Sweden are we not able to handle today?

In my view, the answer is that the prospects are good for our being able to handle those military threats which could reasonably be aimed towards our country in connection with an armed conflict in Europe, and which it is militarily possible to defend against. Of course there are weaknesses within our defense. Our ambitious submarine defense program is based on a perceived weakness. These problems do not, however, change the total picture of a Swedish defense which appears stabilizing and war-detering, since each effort

to use Swedish territory is unprofitable, i.e. the sacrifices on the part of an attacker are not reasonably proportional to the gains he can make.

It has been claimed that we will have to live with the fact that we will lag behind the rest of the world during the next five-year period. That claim presupposes that we know the trend of other countries' defense spending. There are certain signs that the rest of the world is not going to increase its defense spending at the same rate as has been the case during the last couple of years. The United States and Great Britain are probably not going to increase their defense spending in the near future. The opposite seems more likely. The Soviet Union is showing a definite interest in keeping its defense costs down. At the same time, however, it must also be pointed out that there are plans in other countries that point to increased defense spending.

Consequently, there is great uncertainty about what other countries intend to do in this regard. The only thing we know for sure is that the Swedish defense parameters will increase until the year 1992. After that there will be financing for a level of defense spending which surpasses that of today by 1.6 billion per year. It goes without saying that this increase will create room for improvements in the Swedish defense. It has been claimed that the prospect of cancelled refresher courses and slower acquisition of new materiel indicate weaknesses in the recent defense resolution. In this connection it is important, however, that two circumstances are made clear.

First of all, a possible necessary postponement means a reduced aspiration level in relation to our own (too optimistic) plans. New materiel will still be added, although at a somewhat slower pace.

The other reminder is that the exact same circumstance would have arisen from the Moderate and the Center Parties' proposals for a defense resolution. Nor did they make any motions that would have increased the security of the planning. Rather, the economic uncertainty would have been even greater if their proposals had been adopted, since they were never prepared to count all the costs for the extra fighter division they were demanding.

A considerably more important factor concerning the future than speculating about other countries is the following. With the current technological development, ever increasing resources are required to keep the current Swedish defense at an acceptable technological level, while at the same time maintaining a satisfactory preparedness.

The recently adopted defense resolution means that the defense, in the next period, will receive resources corresponding to an annual percentage increase in defense allocations of 1.7 percent. In my judgment, those are resource contributions of the approximate extent required in the future to allow the defense to keep the same pace as the rest of the world when it comes to technological development. This means, of course, a great uncertainty about the future. There are examples from the post-war years, however, that indicate that the annual cost increase for successively renewing an advanced defense lies somewhere between 1.5 and 4 percent.

Add to this that we, at the turn of the century, will face considerable turnover problems within the Swedish defense. Then we will have to replace materiel to a very great extent. This accumulated turnover need--the turnover hump--will apply especially to tanks within the Army as well as to the Navy's surface ships, and it is mainly due to the fact that the materiel, acquired during the investment period 1958-1972, will have reached the retirement age.

These "hump problems" have been illustrated by Percurt Green, a colonel of the first rank, in an essay written for the Royal Military Science Academy. He demonstrates that all the branches of defense will face considerable turnover problems. The greater part of the war organization within the Army, Navy and Air Force will have to be replaced during a fifteen-year period around the turn of the century. Green estimates that the annual cost for this turnover will surpass today's annual allocation level by 3-5 billion kronor. Add to this the gradual technological renewal of the defense mentioned above.

The situation we will be facing before next year's defense resolution can then be handled in three different ways.

1. Money can be contributed to such an extent that we can both rehabilitate the Swedish defense technologically and replace aged weapons systems at the turn of the century. This means very extensive resource contributions. So far nopolitical party has indicated its willingness to arrange sufficient funds.

2. Another alternative is to accept a reduction in the extent of the Swedish defense or a severe differentiation. That was what we accepted during the 1970's.

3. A third alternative would be to try to find other solutions to our defense problems than replacing all current weapons systems piece by piece with more modern ones.

Such solutions must be based on the kinds of threats the country might be facing and on an analysis of the most cost-effective methods of meeting those threats. Consequently, we must discuss our strategic position and what kinds of operations we might be forced to carry out in order to defend various parts of the country. Such an operative way of thinking is always necessary and will become especially important before the next defense resolution and it is by its nature more relevant as a basis for defense resolutions than the service-branch-oriented, turnover-thinking which, so far, has dominated the defense planning.

We will then face questions of the following kind: How great is the threat of a coastal invasion of southern Sweden compared to other threats aimed at Sweden? How are the joint forces going to prevent such an invasion? What role will be played by armored-tank brigades in this threat picture? What other alternatives are there?

Similar questions might be posed, based on the threat that Swedish air-space will be used by the superpowers in a conflict between them, or on the threat that northern Sweden will be used as a passageway or base area by one of the superpower blocs.

We must discuss, without prejudice, the necessary but at the same time most cost-effective counter-measures against other threats such as sabotage (diversion units brought into action against Sweden) and our very special problems during increased tension and war in the world surrounding us.

Analyses, of the kind I have indicated, ought to govern the actual defense planning to a considerably greater extent. The next step then would be a meaningful discussion of the following kinds of questions. Can we manage with fewer tanks than what we have presently? Is there a cost-effective ship that can handle the duties of a surface battleship in the future?

Consequently, it becomes a question of quantifying our defense problems and of finding cost-effective solutions. The need for resources must be based on the operative need.

I have mentioned three ways of meeting the defense problems of the future with reference to the military defense--more money, fewer units, new thinking. My opinion is that they all must be discussed before the next defense resolution. All the factors that could conceivably affect the next defense resolution cannot be prognosticated now. It is crucial, however, that we use the years between now and 1992 in trying to find answers to and posing the, in all circumstances, basic questions which I have mentioned earlier.

The one, who is not prepared to participate in that discussion, and who claims that the solution to our coming defense problems is simply to add more money, is reasoning in an unrealistic and insufficient manner. During the parliamentary debate, Carl Bildt almost gave the impression that seeking new solutions to our defense problems is equal to middling solutions. At the same time, the Moderate Party, the only party that has already spoken for increased allocations after 1992, has advocated annual upward adjustments of the defense allocations by 1.2 percent. That is not consistent. Either Carl Bildt will have to contribute considerably more money after 1992 or even he must accept "middling" solutions.

We must take our future defense problems seriously. To deny them now would be deeply regrettable and will harm our defense in the long run.

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CSO:3650/173

ARMED FORCES COMMANDER, OFFICERS DEBATE SUBMARINE INFO POLICY

Officer Claims Violations Unreported

Stockholm DAGENS NYHETER in Swedish 29 Jun 87 p 8

[Article by Thomas Sjoberg: "'Debate Harms Swedish Defense.' Supreme Commander Tweaks Officers' Ears"]

[Text] The Swedish people are supposed to believe the reports from the commander-in-chief not those of a handful of frustrated naval officers, who lack sufficient overview and responsibility for submarine analyses. The continuing debate only harms the credibility of the Swedish defense.

The Supreme Commander of the Armed Forces and the Defense Staff are currently striking back against the heavy criticism of the last couple of days. This past week, Major Bill Noren, chief of the information and security department at the Stockholm Coast Guard, claimed that at least ten submarines violate Swedish territory every day during the ice-free part of the year, including those that are never discovered.

Yesterday, his former superior, Colonel Lars Hansson, joined the critics and claimed that the commander-in-chief "failed in his task and role, when the extent of the violations were not made sufficiently clear." Hansson said that out of 100 certain reports of foreign submarine activity only five are made public.

Tweaked Their Ears

The reply from the Supreme Commander, Bengt Gustafsson, was not late in coming. In an announcement he properly tweaked the ears of the refractory naval officers.

"Without responsibility it is easy to express oneself, with responsibility it is difficult, which Hansson does not realize. The commander-in-chief will continue to impose strict reliability requirements on official reports. Who would gain from anything else? Not the defense nor the Swedish people," said Gustafsson.

Major General Owe Wiktorin, the deputy chief at the Defense Staff, tells DAGENS NYHETER that it is regrettable that the naval officers are airing the contention publicly.

"They feel that we are wrong and we feel that they are wrong. In my opinion, they do not see the whole picture, nor do they have the qualifications for seeing the whole picture."

"Ought To Believe Commander-In-Chief"

Wiktorin feels that the general public ought to believe what the commander-in-chief says in the official reports.

"We feel that they give the correct picture. According to my view, anything else is private opinions on the part of individuals who carry no weight. We are convinced that we are closest to the truth."

[Question] Does this mean that the Defense Staff considers the claims of the naval officers as incorrect and that the Swedish people should not listen to them?

[Answer] Yes.

Yesterday, the DAGENS NYHETER tried in vain to reach the Supreme Commander, Bengt Gustafsson, for a comment beyond the written announcement. The press chief at the Defense Staff, Jan Tuninger, answered in his stead.

"These naval officers have a limited insight. They are only responsible for a limited area from which they receive reports from honest tax-payers and Swedish citizens who have observed something in the water. The officers react with the resources at hand but without result. This has led to an understandable frustration due to the high cost of the efforts, the hard work and the stress on family relationships.

"Then they discover that what they in their zeal have taken very seriously, is viewed with doubt by the commander-in-chief and the Defense Staff."

"Hurt Feelings"

Jan Tuninger emphasizes that the commander-in-chief cannot publicly believe a lot of things, that there is no room for any kind of doubt. This seems to be something that the naval officers have not understood.

"Their feelings are hurt, because their reports are not considered to hold water in the long run."

Both Tuninger and Wiktorin believe that the debate is detrimental to the Swedish defense.

"It is hard to judge how much damage has been done. One should guard against drawing a dividing line between the Defense Staff on the one side and the naval personnel on the other. The review committee consists exclusively of

naval personnel, those with the widest experience and the most knowledge," says Tuninger.

[Question] The critics occupy high and vital posts. Is that not a sign that there might be some basis for their opinions?

[Answer] They have an opinion about the extent of the activity and it is based on their experience which contains an element of belief.

"Not Desirable"

Major General Owe Wiktorin:

"Of course, the debate as such is not desirable. Seen from the viewpoint of the defense, it would be better if we were totally united in our opinions. Other countries are following our actions and I believe that they are viewing this debate with a certain amount of astonishment. The military discipline is more strictly applied abroad. Official reports are not discussed publicly."

Wiktorin hopes that the critical voices constitute a minority among the naval officers.

Paper Comments On Issue

Stockholm DAGENS NYHETER in Swedish 30 Jun 87 p 2

[Editorial: "Submarines and Credibility"]

[Text] There are, to say the least, divided opinions in our country regarding the kind and extent, yes, even the occurrence of illegal foreign under-water activity. In actuality, no issue in modern times, concerning Swedish security, has caused such political dispute as the submarine violations during the 80's.

On the other hand, almost everyone agrees that the political, diplomatic and military counter-measures by our authorities shall and must be based solely on under-water violations that actually occurred.

In its turn, this presupposes that the highest military leadership makes public only those cases of illegal penetration of Swedish territory that it can prove conclusively.

For the last couple of years, all reported submarine observations have been rigorously screened on several levels with quarterly publications of "certain" violations. If, in addition, the Defense Staff and the commander-in-chief were to publish reports about observations which they do not consider guaranteed, the credibility of our security policy would be rapidly worn away.

It appears obvious that reports from many watchful and dutiful citizens about mysterious happenings need to be screened by the Defense Staff. It is also understandable if military personnel in operative positions feel that the staff analysts in Stockholm treat their local expert judgments with too much distance. This seems to be the case with the handful of naval officers from

the middle level, who recently complained in the mass media about the fact that their more alarming estimate of submarine violations do not find their way into the quarterly reports of the commander-in-chief.

We must assume that the naval officers' actions are guided by professional honor and genuine worry. However, neither Swedish efforts to increase the preparedness against unwanted under-water incidents, nor the official debate about the "submarine threat" are served by their claims. At worst, a submarine debate, heated by that kind of "new facts," could lead otherwise level-headed politicians to lock into attitudes which they risk regretting in the future. If nothing else, the scepticism of the general public threatens to become more extensive--even when it comes to proven violations.

Sweden's security policy must be based on such judgments of outside threats that we can vouch for in all instances.

Commander Pledges Better Reporting

Stockholm DAGENS NYHETER in Swedish 30 Jun 87 p 9

[Article by Thomas Sjoberg: "Stricter Information About Suspected Submarines. More Frequent Reports From Commander"]

[Text] In the future, the commander-in-chief will issue more frequent reports on the Defense Staff analysis of reported suspicious submarines, even though the result may only be a confirmation of the fact that there was no foreign under-water activity. The commander will also try to make the language of the reports clearer.

This was told to the DAGENS NYHETER by the Supreme Commander of the Armed Forces, Bengt Gustafsson, after the heavy criticism from the naval officers, Major Bill Noren and Colonel Lars Hansson. He emphasizes, however, that, even in the future, he will carefully examine what is to be said and make sure that it is based on facts.

During the last couple of years, all reports about what was considered actual foreign under-water activity were given to the government, the parliament and the general public in the form of quarterly reports. This was done according to directives given to the commander-in-chief and the Defense Staff after an agreement with the secretaries of the cabinet member committee, the Defense and State Departments.

Bengt Gustafsson says, however, that it was his understanding, after he became commander-in-chief last fall, that perhaps there is a need for more frequent reports. As an example, he mentions the incident at Karso last spring, when a foreign power was suspected of operating in the neighborhood of the defense radio establishment and the residence of the royal family at Drottningholm castle.

Five Examples

"Then we came to the conclusion that it was not a question of any foreign under-water activity and we made this public immediately. During the previous two years, everything would have been published in quarterly reports," says Bengt Gustafsson.

In the future, the commander's policy will be that, as soon as anything happens in Swedish waters which is described as foreign under-water activity, the Defense Staff will analyze the report and quickly make the result public.

Bengt Gustafsson says that the five examples of reports, which the review committee took into consideration in the latest quarterly report, were misconstrued by the critics.

"That was not at all the total number of reports that we analyzed, but five good examples of cases where it was not clear whether submarines were really involved."

The commander-in-chief has also set his mind on simplifying the language of his reports. As far as possible, the general public should not have to trip over diffuse expressions such as "possible" or "probable" submarines.

Colonel Lars Hansson, formerly head of the Stockholm Coast Guard defense, said last Sunday that "the commander knows that several large submarine operations, directed towards our country, occur every day. He should be able to describe our current situation in a more concrete manner."

"The Submarine Defense Committee reported on the investigation of the incident in the Harsfjard and told the results. Since then, we have referred to the fact, in statements and reports, that we still make the same judgment. The general public knows that what occurred in the Harsfjard also occurred during the summers of 1985 and 1986. We do not know as yet what this summer will bring, since the analysis is not yet ready," says Bengt Gustafsson.

Tables

He denies emphatically that he has deliberately withheld confirmed submarine reports from the general public, which was alleged by Colonel Lars Hansson.

"That is a lie. I believe that he has understood the five examples in the quarterly report as five of the 100 we have taken into consideration but that is not so."

The commander-in-chief does not believe that the Swedish people are served by knowing exactly how many reports are brought to the attention of the Defense Staff.

"Then you would end up with a long report with tables and various classifications such as "possible" and "probable" submarines, and you would end up in the kind of situation criticized by Hansson."

Criticism

Yesterday, the Chief of Naval Operations, Bengt Schuback, suggested that the naval officers are right in their criticism, that "under-water activities are taking place to a greater degree than what the publications have indicated." Bengt Gustafsson does not see this as a criticism of him, even though it might be viewed as such.

Besides, the commander-in-chief shares the opinion that the critical naval officers must feel very frustrated because what they regard as serious reports are met with doubt by the Defense Staff.

Footnote: Yesterday's article gave the impression that the press chief at the Defense Staff, Jan Tuninger, said that all of the naval officers did not understand the commander's policy regarding information. This statement only applied to the officers who had voiced their criticism publicly.

Public Seen As Uninformed

Stockholm DAGENS NYHETER in Swedish 30 Jun 87 p 9

[Article by Gunnar Sorbring: "Information Most Important"]

[Text] "Information is the most important thing today when it concerns the great number of submarine violations. There are many of us who are afraid that it will be hushed up, that we get used to how things are now and that the information becomes so meaningless that we accept it.

"Five percent, at the most, of the reliable reports from the Coast Guard to the Defense Staff regarding foreign submarines, have been brought to the attention of the Swedish people."

This was said by Lars Hansson, colonel of the first rank and, until a few years ago, head of the Stockholm Coast Guard defense at the KA 1 regiment in Vaxholm. Currently Hansson is a consultant and an expert on technological surveillance and alarm systems for the Fortification Administration. He is also handling certain security and protection tasks for the Defense Staff.

"As soon as we receive reports about submarines--and they come from commandos, superintendents and civilians--we take off in a boat or helicopter, meet with the ones who have seen the submarine and go over what happened exactly.

"I am absolutely certain that we have two or three large, joint foreign power operations in Swedish waters--spring summer and fall--when more than ten submarines take part every time," says Colonel Hansson.

"The purpose is military war operations. They are reconnoitering our waters, learning how to proceed surreptitiously and how to avoid going up to the surface to use the periscope. Now they have to surface every now and then and that is when we see them--but in a war situation they will be able to find their way."

Saboteurs

"They want to look at our installations, see where they can land saboteurs the day before an attack, in order to launch a surprise attack against our coasts.

"There are also those who think that they are putting down under-water beacons," says Lars Hansson.

The most difficult thing for people making observations is differentiating between essentials and non-essentials. A stick or a piece of lumber floating vertically in the water may look like a periscope. A wave may be a continuous wave remaining several hours after a boat has passed.

"Education and analysis are required to know the difference and that is why we join the person who has seen something very quickly so that he can point, explain and make drawings at the site," says Hansson.

"We have rigid criteria for what we send to the military district staff and the Defense Staff, and by then we have certainly eliminated 25-50 percent."

Notes

"What the commander-in-chief publishes as absolutely certain is, at the most, five percent of what we have given high probability. He eliminates everything that is not legally provable.

"That might be well and good for politicians, who have to give notes to foreign powers--where you can say that we know the nationality, but the legal evidence keeps the commander from considering reports that have 50-60 percent probability.

"He ought to be able to make an operative judgment relating to our preparedness. In practice, all other activities are good guesses. For instance, if you are going to produce a tank, you must make an intelligent guess about what enemies you are going to meet in 20 years and what kind of weapons they will possess.

"The commander-in-chief must decide what he really feels about the submarine defense and I do not feel that he is doing that.

"Today a very low profile is kept. I feel that should be changed and more information given out. There is much more and more dangerous activity than people are aware of," says Hansson.

Coast Guard Officer Comments

Stockholm DAGENS NYHETER in Swedish 1 Jul 87 p 9

[Article by Gunnar Sorbring: "Coast Guard Chief In Stockholm: Account For Submarine Hunts"]

[Text] for the first time since the hot debate about the submarines got started in earnest, the Coast Guard Chief in Stockholm is having his say:

"It is not enough to keep quiet when something has occurred and the acute effort is past, a report should be given directly to the general public with a clear summary of what took place."

This was said by Urban Sobeus, colonel of the first rank, and head of the Stockholm Coast Guard defense at the KA 1 regiment in Vaxholm. Previously he worked at the Defense Staff department which handles Swedish preparedness and violations of the country's borders.

Therefore, he has experience in both sides of the latest submarine debate--the restrictive view of reports on the part of the Defense Staff and reports about foreign submarines on the part of people in the archipelago and commandos, with requests for information on how the hunt turned out.

Two Sides

"Our best reporters are found among the general public. They are much more observant now and take it very seriously. In order for the general public to maintain its interest and its belief in the system, there is a need for feedback and information on what has taken place.

"I feel that the extent of information is not sufficient today. The commander's quarterly statistics are not enough. They are intended for the administration, but we must tell the people what happened in such a manner that they understand," says Colonel Sobeus.

He feels that there is no good way to report on submarines. On the one hand, the Swedish people have a right to know what is going on. On the other hand, the relationship with a foreign power demands that this is done in a proper and correct manner. That is why it has to be done by way of the Defense Staff and the Foreign Office.

"It is regrettable if the information is handled on too low a level at the site. It has happened that certain countries, in such instances, have been indicated without proof.

"Other countries handle this matter in a correct manner and we should do the same. Violations often happen unintentionally. The violators must be given a chance to apologize, we cannot pillory them, that might force them to denials.

"It is a question of achieving a balance, because correct information to the general public, as well as to all those who are busy watching our coasts, is very important," says Urban Sobeus.

Consequently, he feels that information cannot be given out at the same time as a submarine hunt is going on, because the intruder is then informed and can take appropriate actions.

"I feel that the pendulum has swung from one extreme to the other. Too much information was given out about the Harsfjard incident. Now no information is given at all and the general public does not see results.

"It has been said that a number of frustrated persons are behind all this, but I have not met anyone who is frustrated or complaining," says Colonel Sobeus.

"On the contrary, I think they are purposeful and dedicated to their task, and we have good support from the people living in the archipelago and the owners of summer homes."

More Eyes

"When I go out to meet with officers and enlisted men, they know that they have an important job. I meet with the personnel every week, talk to all of them and inform them of our actions. I feel that it is important that the same thing be done for the Swedish people," he says.

Besides the general public, there are permanent watch stations and a large number of newly recruited Home Guards in the Stockholm archipelago. 1,700 persons are members of the naval Home Guard and the goal is 2,500.

There is a surveillance project underway in cooperation with the county council. A watch is kept both above and below the surface of the water and support comes from the superintendents of the Archipelago Fund as well as from fishermen.

"We have more eyes in the archipelago than ever before, and that is why we are receiving more reports," says Sobeus.

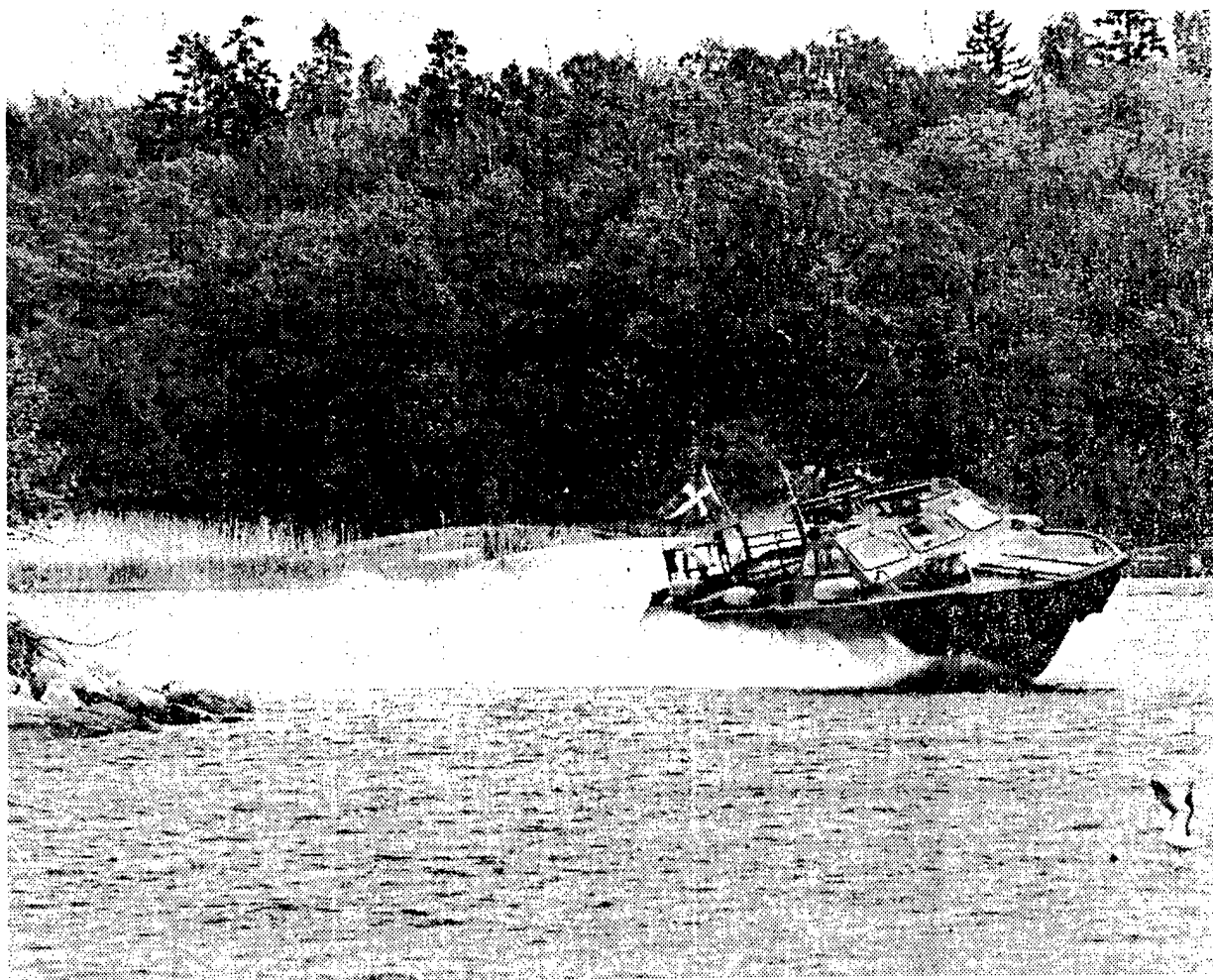
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CSO:3650/175

COMBAT BOAT 90 BEGINS TRIALS

Stockholm SVENSKA DAGBLADET in Swedish 14 Jun 87 pp 1, 6

[Article by Sune Olofson: "Coast Guard's New Raceboat"]



[Text] [Introduction] This is the Coast Guard's latest addition. Combat Boat 90, also called "the Navy's JAS." A dynamite package which can do 40 knots. Today the SVENSKA DAGBLADET can publish the first pictures. Combat Boat 90--only one exists--is currently being tested in the Stockholm archipelago. SVENSKA DAGBLADET has test-driven Combat Boat 90.

More than 100 boats will be ordered in the next six-year period. The price is 1.5 million apiece. The boat is propelled by means of water jets, thereby eliminating propellers and rudder. There is a vertically adjustable 30 mm automatic cannon on the foredeck, the gun can be fired by the driver, who aims it laterally by steering the boat in the desired direction.

"The boat is a needed addition to the coastal defense," says Lt Colonel Sven-Olof Kviman.

A fight is underway over the giant order, several shipyards want to build it.

As the first daily, the SVENSKA DAGBLADET can today publish pictures of the Coast Guard's new Combat Boat 90, also called the navy's JAS. A dynamite package, which can do 40 knots with a light load. It is currently being tested in the Stockholm archipelago.

The boat's purpose within the Coast Guard amphibian battalion is to defend the archipelago, to recapture occupied islands and to carry out so-called forceful landings with commandos, as well as infiltration with the help of missile groups and mines. The boat's field of application is a combination of troop transport, landing vehicle, battleship and reconnaissance vehicle.

The SVENSKA DAGBLADET has test-ridden and test-driven the latest addition to the Navy. More than 100 boats will be ordered during the next six-year period. The cost will be about 1.5 million each.

Combat Boat 90 will replace the slow-moving and costly 200-boats.

Fight Over The Order

The pictures show the only prototype in existence, it was built at Djupviks Shipyard in Ronnang on Tjorn. There will be fights over the order. There are several shipyards in the picture, Kockums, Karlskrona Shipyard, the Navy's own yard on Gotland, Flipper Boats in Finland, Intrade Invest, which builds the Smuggler, Lunde Shipyard in Harnosand, and the Storebro Company.

"It will probably be a Swedish company," says Bjorn Kagger at the Defense Material Administration.

We board the boat at KA 1's port at Rindo near Vaxholm. When Petty Officer Jesper Nordstrom turns on the ignition, a muffled rumble can be heard from the Volvo diesel-engines of 350 horsepower each. At the same time a similar boat called the Smuggler is started. It has a Scania-engine of 600 horsepower on board. During the tests, the Scania-engine has proven itself more reliable.

"We use the Smuggler for comparison," says Lt Colonel Sven-Olof Kviman, project leader for Combat Boat 90.

Intrade Invest has invested about four million kronor in the project, money that will be lost if the company does not receive the order.

Both boats run at full speed through narrow channels and straits. The noise rumbles across the bays, the spray rises into the air. Amazed and curious summer-home owners flock to the beaches to watch the Navy's new acquisition.

It is an interesting experience to steer a Combat Boat 90 at 35 knots. It reacts immediately to strong evasive movements. Furthermore, the boat is very easy to dock.

Gun From Drake Jet

There is a vertically adjustable 30 mm automatic cannon on the foredeck, which was previously used on the Air Force's Drake jets.

"Thanks to the rapid rate of fire, an enemy missile boat could be cut in two, a helicopter could be downed, or an enemy on an island could be attacked," says Sven-Olof Kviman.

The old Drake guns were going to be mothballed. Since the Navy does not have to buy new armament, it saves 40 million.

There is a 12.7 mm machine-gun on the roof. Structurally, Combat Boat 90 is not very well protected, its speed constitutes the protection. The final product might reach a top speed of 45-50 knots.

The driver aims and fires the 30 mm gun. Laterally he aims the weapon towards the target by steering the boat in the desired direction. During battle or movement in darkness, the driver is provided with image-intensifying goggles.

The boat is propelled by means of water jets. One water jet steers the boat. That way there is no need for a rudder or propeller which could be damaged in a rocky archipelago.

Perfect Radar Equipment

There are two sets of radar on board. The test team recently traveled from Soderarm to Korso at top speed in heavy fog.

"We did not see land or islands once with our own eyes. The radar equipment functioned perfectly and the trip took about one hour," says Jesper Nordstrom.

Combat Boat 90, which is 11 meters in length, can carry 10-12 men. For instance, a missile group equipped with the light coastal missile, Hellfire. There are rails on the deck for depositing mines or depth charges. The hull consists of an advanced composite, a mixture of plastic, reinforced fiberglass and carbon fibers. The glue that keeps the material together is called epoxy. A similar mixture can be found in the JAS aircraft.

Along with Combat Boat 90, a larger version will be on order. During the next few days, the first prototype will be ordered. The same armament but it will be capable of transporting an entire platoon.



This is what the latest addition to the Navy looks like, Combat Boat 90. With a light load it can reach a top speed of 40 knots. There is a 30 mm automatic gun on the foredeck, a 12.7 mm machine-gun on the roof. 100 boats will be delivered during the next six-year period.

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CSO: 3650/173

BRIEFS

BOFORS MISSILE WARHEAD CONTRACT--The Defense Material Administration (FMV) has signed a contract with Bofors about serial deliveries of, among other things, missile mounts and warheads for the Coast Guard's future light coastal missile system, RBS17. The contract with Bofors is for about 54 million kronor. The groundbased, light coastal missile system, RBS17, is an adaptation of the American antitank missile system, Hellfire, which was developed by the Rockwell International Corporation. FMV signed a contract with that company as the main supplier on June 12 this year. The missile system, RBS17, will constitute the main armament for the new amphibious battalions which will be organized around 1990. Deliveries will begin during 1989. [Text] [Stockholm DAGENS NYHETER in Swedish 29 Jun 87 p 12]

CSO:3650/173

RESEARCH PROGRAM SHOULD MAKE EC COMPETITIVE WITH U.S., JAPAN

Frankfurt FRANKFURTER ALLGEMEINE in German 16 Jul 87 p 14

[Text] Brussels, 15 July. The disputed general program for research and development in the European Community can take effect only with a delay of almost 7 months. This is what the permanent representatives of the 12 EC governments agreed on basically after lengthy, controversial negotiations. Of course, the British government, which had blocked the research program until the very last, still came out with a reservation covering a part of the joint program: only after the finances of the Community are on a better foundation and after the EC demonstrated its determination to economize, would London no longer refuse to approve an additional amount of 417 million ECU (just about DM900 million). For the time being, the general program for the period of 1987 until 1991 has a volume of 5.2 billion ECU (just about DM11 billion). It is designed to make the EC competitive above all against Japan and the United States in telecommunications, electronics, and modern biotechnology.

To the great regret of the Brussels commission, the program now adopted falls far short of the original plans of the competent German commissioner Karl-Heinz Narjes. He had proposed a general program of no less than 7.7 billion ECU (around DM16 billion) for research and development in the EC. A volume of just about 6.5 billion ECU (about DM13.5 billion) was under discussion in March; but it was rejected by both London and Bonn as too expensive and partly superfluous. After the Federal Government had withdrawn its reservations against a somewhat more economical program in the spring, it was only British lady Prime Minister Margaret Thatcher who blocked the program. At the start of the month, Mrs Thatcher had indicated during the meeting of the European Council of Heads of State and Government that she would be prepared to go along, assuming that a generally more economical financial policy was to be pursued. It is hoped in Brussels that the still existing London reservations can be removed at the very latest by the end of the year.

Important parts of the research program now adopted involve the ESPRIT [European Strategic Programs for Research and Development in Information Technology] Program; Community funding in the amount of 1.6 ECU (DM3.3 billion) have been planned for it. Furthermore, 550 million ECU (at least DM1.1 billion) are available for the RACE Program in telecommunications while 845 million ECU (DM1.7 billion) have been set aside for the modernization of the old industrial centers.

FIRST JOINT VENTURE WITH USSR INITIATED

Favorable Climate Seen

Duesseldorf WIRTSCHAFTSWOCHE in German 24 Jul 87 pp 88, 90

[Unsigned article: "The Right Twist Found." first paragraph is the WIRTSCHAFTSWOCHE introduction.]

[Text] The economic relations between the USSR and the FRG enter a new phase. A middle-class person from the Black Forest has now succeeded in concluding a much noticed joint-venture contract. Additional business is supposed to follow.

The Heinemann Maschinen- und Anlagenbau GmbH of St. Georgen thus far was known outside the Black Forest only to product-line insiders. That has changed recently: Together with the Ordzhonikidze machine building enterprise Heinemann will establish a joint subsidiary company called Homatech (Heinemann Produktionsvereinigung Beteiligungsgesellschaft mbH). The Soviet partner enterprise holds the majority interest in Homatech with 55 percent.

For Heinemann director Reiner Lang the contract now concluded is the culmination of long-time cooperation with the USSR. As early as 1985 he had presented machines developed with the Soviet joint-venture partners. The Heinemann GmbH produces automatic lathes and is involved in robotics. Last year's sales reached about DM 60 million; 200 staff members saw to that. With the now increased involvement in the USSR, director Lang achieved an important crossroads for his company. "The market there is so big, you simply have to go there," the nimble entrepreneur explained his step. The Heinemann GmbH in its present form has been in existence since 1980. At that time Lang was appointed by the liquidator of the Gebrueder Heinemann AG as director of the successor company. Correctly assessing the market possibilities, he purchased the enterprise for DM 16 million, which he borrowed.

The East strategy of the Black Forest machine builders fits in very well with the present political scene. The Soviet leadership is interested in utilizing Western production know-how in part for its own economy but in part also to earn needed foreign exchange through higher exports. Thus Homatech is supposed to sell two-thirds of its production in the USSR, one third is earmarked for export to Western countries. Ultimately all foreign exchange required for the existence of a joint enterprise must be earned by exports. The USSR had issued a new omnibus act at the beginning of the year in which

the modalities of joint ventures with the West are laid down. (WIRTSCHAFTSWOCHE, 9/1987). According to it,

--the Soviet share is supposed to be at least 51 percent and no more than 80 percent,

--profits are proportionately distributed,

--the first two business years are tax exempt and

--the remittance of profits is guaranteed.

In spite of the now secured legal framework for cooperation of Western enterprises with enterprises in the USSR, there are, of course, a whole series of uncertainties which can be dispelled only by long-range practice. For example, the USSR, because of its state-controlled economic system, has no experience whatsoever with profit-oriented Western enterprises. Its appreciation for a profit-oriented management moreover is only weakly developed. Profit and loss accounting according to the capitalist model is unknown to the Soviets.

But all that is now supposed to change, not least with help from the West. The USSR negotiates, in addition to enterprises from the FRG, with firms in Japan and the United States about the establishment of additional joint ventures. However, the FRG enjoys the advantage of economic relations with the USSR that have existed for a long time. The contacts of the brokers and manufacturers thus far have survived the periods of chill in East-West relations. "Trade, economic relations as a whole are the most stable part of all relations with the USSR," Otto Wolff von Amerongen, chairman of the East Committee of German industry, knows from experience.

The establishment of West-East joint enterprises brings these relations to a new stage. In the near future, other enterprises, too, will follow the road from cooperation to the establishment of joint enterprises.

Thus the Franz Kleine group of entrepreneurs in Salzkotten does not rule out the establishment of a joint venture in the Soviet Union in the more distant future. The agricultural machine dealer and manufacturer of sugar-beet harvesters has just "concluded a comprehensive cooperation contract with one of the biggest Soviet agricultural machine production enterprises," director Harald Neitemeier proudly announces. The Franz Kleine group of firms has a staff of 600 and achieves annual sales of about DM 180 million. The cooperation agreement provides for joint development of harvesting equipment as well as for cooperation in production of harvesting equipment well suited for cultivation methods in the USSR.

The Salamander AG for some time has planned the big step to the East. The Kornwestheim shoe enterprise wants to produce 2-3 million pairs of shoes annually jointly with the "Proletarian Victory" combine in Leningrad and with the "Red Star" combine in Vitebsk west of Moscow. The decision in favor of increased involvement in the USSR is made easier for the enterprise because of the difficult sales situation of the shoe manufacturers in the FRG. Salamander boss Franz Josef Dazert is confident that he will be able to conclude the negotiations on the establishment of joint ventures in the near future.

The strategists of the Hannover Hanomag Baumaschinen Produktion und Vertrieb GmbH for the time being are not thinking of a joint enterprise with the USSR. The enterprise, which has completed a difficult restructuring phase and will be converted into a corporation early next year, for the time being limits itself to the delivery of prefabricated parts for tractors. Hanomag director Wolfgang Freimuth expects additional sales of about DM 70 million from this transaction. In addition, Hanomag, jointly with its Soviet partners, develops new bulldozers which are to be delivered starting in 1991. It is not possible to predict now whether a joint enterprise can develop from that.

Finally, joint ventures are among the most difficult forms of cooperation as Otto Wolff also knows. The candidates willing to enter into joint ventures must not forget one thing above all else: The Soviet Union is ready to enter into joint ventures with the West only if products are produced in which the USSR is clearly interested. In this respect machine building undoubtedly is among the most promising lines of business.

Heinemann Director: Excellent Prospects

Hamburg DER SPIEGEL in German 10 Aug 87 pp 50-51, 53, 55

[Unsigned article: "I Fought Hard for this Objective." First paragraph is DER SPIEGEL introduction.]

[Text] Since General Secretary Gorbachev has embarked on a reform course, the Soviets seek joint enterprises with Western firms. The first German entrepreneur who has agreed to such a joint-venture adventure in the Soviet empire is a middle-class machine manufacturer from the Black Forest.

Even when the visitor enters the Baden enterprise he is conditioned to something unusual. To the right of the firm's entrance on a white metal nameplate the strange name "Heinemann Produktions-Vereinigung Ordshonikidse Beteiligungs-GmbH" appears even twice: in Latin letters and immediately below that, once again in Cyrillic ones.

Another name has been put twice on an additional nameplate. "Homatek" is the name of this enterprise written in latin letters, "Xomatek" is the corresponding spelling in Cyrillic letters.

The wall decoration in the unassuming, pine-paneled conference room is also unconventional--at any rate for an enterprise with headquarters in a small Black Forest town. A painting with the St. Basil's Cathedral on Red Square in Moscow, some other pictures with Russian motifs and a framed edition of the Soviet government newspaper IZVESTIYA of 10 September 1986 lead to the conclusion that here above all guests from the USSR are to be made to feel at home.

The name plates and the wall decoration for the time being are still modest external signs of the rarest marriage of firms which a German firm has probably ever entered. The partners, who have joined together in the Heinemann Produktions-Vereinigung Ordshonikidse Beteiligungs-GmbH and in Homatek form a pair in which really nothing matches.

The German partner, Heinemann Maschinen- und Anlagebau GmbH, is a middle-class company with a staff of barely 200, located in Sankt Georgen in the idyllic Schwarzwald-Baar rural kreis. Ordzhonikidze, the second in this union, with a workforce of 10,000 has about 50 times as many on the payroll as Heinemann; the Soviet enterprise, with headquarters in Moscow, is the leading machine builder of its country.

Heinemann is a private business corporation in which only one man has a say. Sole owner Reiner Roland Lang, 47, is at the same time the sole director of his firm. Ordzhonikidze, on the other hand, like all other Soviet industrial enterprises, is a state enterprise whose means of production, according to Marxist doctrine, belong to the entire people. Numerous functionaries and bureaucrats in ministries, planning authorities, and party bodies share in making decisions on what and how the enterprise produces.

In spite of these glaring differences the capitalist dwarf and the communist giant have entered a connection which is thus far unique: The partners each want to base a plant in their native countries in the capital of which they both have a share.

The joint enterprises are to build machines to which the joint owners from East and West contribute parts from their production and technical know-how. Research and development are also to be conducted in partnership.

Single and double spindle lathes, machining centers, and flexible production systems are being produced. The Russians provide the basic machine parts. The Germans see to it that these receive technical finishing by installations and assembly.

The German-Soviet harmony is to be made evident by the outward appearance of the new factories. Both plants will be built according to identical blueprints--the Russian one on the Ordzhonikidze terrain at the edge of Moscow, the German one in the valley of the Brigach, a little below the Heinemann parent plant which is located almost in the town center of Sankt Georgen.

Only in the capital shares and in the makeup of the personnel in both enterprises are there supposed to be small but significant differences for the time being.

In the German firm established in early December 1986 Heinemann and Ordzhonikidze have strictly equal shares of 50 percent each. In the Soviet enterprise, established last month, the Russians take up 60 percent, Heinemann gets the remaining 40 percent.

In the German joint plant, which at this time is still housed in the Heinemann parent plant, 20 to 30 Russians are supposed to work in addition to domestic skilled workers after the start of production in the new plant. However, no more than 3-5 Heinemann experts will be employed in the Soviet plant which is to start production in mid-1988.

The reasons for that are above all practical-technical: The Russians are interested in obtaining additional technical skills for their skilled workers in the Black Forest. For the Germans it is enough that a few engineers see to the adherence to technical standards in Moscow.

The fact that in the mutual capital shares only the German side grants parity is to be attributed to the fears of contact of socialist economic planners towards capitalist suitors. The state socialists are afraid that with more influence by the Westerners on their firms they gradually lose control over the economic system of their country.

Among the Soviets the fear of capitalist infiltration was so great that until a short time ago they had completely prohibited capital participations of foreign firms in Soviet enterprises.

In their aversion to joint enterprises--in international business jargon called "joint ventures"--they could not be shaken even though in past years the Hungarians were able to gather good experiences with foreign partners. Firms such as Siemens, BASF, Adidas or Schwarzkopf have gotten involved with the Hungarians in joint firms.

Only under the reform-minded Mikhail Gorbachev did that change. At the general secretary's urging Moscow's economic functionaries started about a year ago to explore with Western government and enterprise representatives the latter's interest for joint ventures in the USSR.

In the beginning of this year the Soviets created the legal basis for joint enterprises with a government decree. Now joint ventures are permitted if the Soviet "participant" receives a share of at least 51 percent of the firm's "fund." The chairman of the executive board and of the supervisory organ, of the "administration," must always be Soviet citizens.

The joint enterprises are themselves in charge of their production plans. They are permitted to import on their own raw materials and intermediate products and they are also permitted to export their products independently. The mixed firms do not have to fulfill quotas and targets of Soviet planning authorities.

The foreign participant receives the guarantee that he can exchange his profit share into Western currency and can transfer it to his domestic account. Aside from a general profits tax he also has to pay a 20 percent transfer tax. But the distributions of profit in DM, dollars or Swiss francs are possible only if the enterprise achieves sufficient export earnings. Aside from the foreign exchange for imports and for payments of salaries to foreign experts, the firm has to earn enough Western currency that it suffices for the transfer of the profit in foreign currency. Otherwise the foreign partner must accept the fact that only the amount on his ruble account grows.

Initially the Soviets wanted to commit the joint enterprises to sell their products outside the USSR only. Firms oriented exclusively on export business, Moscow's political economists felt quite naively, would bring in maximum possible foreign exchange surpluses.

Western managers, such as Deutsche Bank chief Friedrich Wilhelm Christians, made it very quickly clear to their Soviet partners that such business marriage wishes are illusionary. No Western industrial enterprise is interested in starting nothing but export production in the Soviet Union. The Western firms would then have to compete on the foreign markets against their own East affiliate while the Soviet market would remain closed to them.

Representatives of firms from the West were able to convince the Soviets that the trade balance can be relieved if the joint ventures do business in the Soviet empire. If the joint enterprise produces goods that thus far had to be purchased abroad, then the foreign exchange for such imports can be saved henceforth.

After Moscow's economic leaders had seen the necessity of granting the new enterprises, too, a share of the Soviet domestic market, the interest of Western firms in a Soviet foothold abruptly increased. Offers from more than 200 foreign firms were submitted to Yuriy Dryomov, the director of the new joint venture department in the Ministry of Foreign Trade, just a few weeks after the official authorization of joint ventures in the USSR.

The Soviets celebrated one of the first engagements of firms with an FRG shoe manufacturer. According to a declaration of intention signed as early as January, Salamander from Kornwestheim wants to establish two new joint enterprises with the "Proletarian Victory" shoe combine in Leningrad and with the "Red October" shoe combine in Witebsk, in each of which the German partner will hold a 40-percent share.

While Salamander and some other Western firms have not yet gone beyond the engagement stage, Heinemann and Ordzhonikidze are already firm partners. For it had been Lang's aim since 1982 someday to organize joint enterprises in the Soviet Union and in the FRG. Lang: "I have tenaciously fought to this end for all the years."

Yet the Heinemann boss has known the Soviet Union only since his visit to the fair in October 1980. The experiences of the entrepreneur in the machine building business hardly go any farther back either.

After all at the beginning of his professional life Lang was more devoted to the aesthetic sides of life than to the commercial ones. Absolutely exotic is the career which brought the supercharged Swabian to the top of a German machine building firm.

Following a position as a trainee with the weekly CHRIST UND WELT, Lang had been employed in the editorial office of the Deutsche Buecherbund (German Book League) in Stuttgart. Not until he was a director of a small textile firm did Lang learn how to read balance sheets, too. But things did not really go right until after an event which usually is considered as the end of a career.

The textile firm managed by Lang had to file a petition for bankruptcy in 1976. But the receiver in bankruptcy gained such a high regard for the unsuccessful manager that he entrusted him with the liquidation of the also bankrupt Heinemann firm.

The undertaker for businesses who was unfamiliar with the branch of industry quickly noticed that the family business which was established 125 years before was definitely viable. The Heinemann machines were of first-rate quality, the staff was excellently trained.

But the traditional enterprise produced at too high a cost. From the first to the last screw it produced almost all parts itself instead of resorting to cheaper subcontracting. Moreover the boss of the firm, Hans Heinemann (Lang:

"A fantastic engineer but completely disorganized") had hardly worried about the sale of the machines.

Lang decided to restore the firm to financial soundness by purchasing inexpensive primary products and finding new markets. He hoped he would then find a buyer for the entire firm.

In the search for new markets Lang very quickly came across the USSR. "The Soviet market," he noted, "corresponded almost precisely to the potentials of the Heinemann firm."

The Soviets needed exactly what Heinemann produced, especially for their oil industry: Machining centers with which heavy parts such as, e.g., pipes, rods, crankshafts and pumps can be worked with precision.

Before Lang went on his first trip to Moscow, he read everything about the USSR he could get hold of, from Pushkin to the 5-year plan.

The Russian functionaries liked the partner from the Black Forest. He hardly knew anything about the machines he wanted to sell, but it was splendid talking to him about Russian poets.

After the first big order from Russia the firm's capacity was fully taken up for two years. But the Heinemann reorganizer did not find a buyer for the flourishing business.

That is when Lang jumped at the opportunity. In 1982 he purchased the firm at DM 8 million with DM 100,000 of his own savings, with a DM 3 million investment of a private financial backer and with bank credits. In addition, the new entrepreneur had to assume DM 4 million of old debts.

In the same year the pro-Soviet Swabian established connections with Ordzhonikidze. He arranged a scientific-technical cooperation and tried to establish joint market strategies.

Every year Lang stayed in Moscow for about 150 days to negotiate about new orders and cooperation possibilities. In 1985 the still loose Ordzhonikidze-Heinemann involvement became apparent to the outside, too.

At the biggest machine tool fair in the world, the Emo in Hannover, the two unequal partners surprised the entire branch of industry with a joint exhibit at the fair. Something like that had been unheard-of in East-West relations up to that time.

Some Heinemann suppliers and customers, who, like Ronald Reagan, considered the Soviet Union as the Evil Empire, reacted badly. They refused continued cooperation with the Baden firm. From other partners the Heinemann boss earned mild ridicule ("Oh, the one with his Russians").

But the "leftist CDU man" (Lang about Lang) had firmly resolved even then to conclude a real capitalist association with the Russians. "I felt early that the reform course was coming," he says now.

But Lang did not want to bet on the Russian card exclusively in spite of his optimistic premonitions. In the same year in which Heinemann for the first

time had a joint fair exhibit with the Moscow machine builders, Lang signed a cooperation contract with Shenyang No. 1, China's biggest manufacturer of machines.

However, the business partners from the USSR continued to have priority. But to agree on the location of the German joint enterprise was, however, more difficult than the man of Sankt Georgen had imagined.

The Schwarzwald-Baar Kreis was too provincial for the Muscovites. The Russians wanted to live near Munich. The Bavarian capital, Lang had noticed already with the Russian guest workers in Sankt Georgen, had an absolutely magical attraction for visitors from Moscow.

On weekends the Ordzhonikidze engineers who were guest workers with Heinemann were regularly attracted by the Isar River: to the Olympia Stadium for federal league games of Bayern Muenchen [soccer team], to the Deutsche Museum with its technical exhibition, and to the flea market for inexpensive purchases for use in the USSR.

But Lang wanted to remain in the Black Forest. He tempted with plans for a technology center in Sankt Georgen, called Homatek, which was to emulate the Munich model. And he pointed out to the Russian ice hockey fans that the nearby federal league Schwenningen ERC offers better ice hockey than any Munich team.

How important Lang's project is to the Soviets was shown when Deputy Prime Minister Aleksey Antonov visited the FRG in April. After his visit in Bonn Antonov traveled not only to the Daimler-Benz affiliate MTU, to the Salamander shoe manufacturer and to the machine builder Liebherr. The Soviet leader also visited the small Heinemann firm in Sankt Georgen, a firm that is completely unknown outside the branch of industry.

Despite such marks of favor the restless Lang is at times seized with doubts whether the East connection of his firm will last. What goes on behind the Kremlin walls is very difficult to assess even for a man with Moscow experience like Lang.

But one thing the Heinemann boss knows definitely: "If this joint venture does not work, then no joint venture at all will work."

12356

CSO: 36200392

GRAF LAMBSDORFF ON VAT, SUBSIDY REDUCTIONS, TRADE WITH USSR

Frankfurt FRANKFURTER ALLGEMEINE in German 17 Jul 87 p 4

[Text] Bonn, 16 July. The economic policy spokesman of the FDP [Free Democratic Party] Bundestag [West German Parliament] delegation, Count Lambsdorff, said on Thursday in Bonn that the coalition decisions on tax reform must "not be shaken up." The FDP, he indicated, rejects any cuts in the tax reform based on financial difficulties, such as they were proposed by some political leaders of the Union. Lambsdorff also came out against a rise in the VAT in an effort to finance the shortfall of DM19 billion resulting from the tax reform. An increase in consumption taxes, such as the alcohol and tobacco tax, is also out of the question.

The FDP instead would like to save about DM15 billion by reducing subsidies and tax breaks. The remaining DM4 billion needed to finance the coverage gap could be provided by an increase in the net borrowing which would "be kept within limits." The discussion about proposals regarding subsidy cuts should not be conducted before the autumn in order to give Federal Finance Minister Stoltenberg an opportunity to submit a suitable concept. If necessary, the FDP would then also submit its own proposals. "The coalition should then also do what it proposes to do," said Lambsdorff. He wanted to make sure that "we will win the elections in 1990 and that the coalition will continue to govern."

Lambsdorff criticized the decline in German foreign trade with the Soviet Union. Soviet shipments to the FRG continue to decline, he reported. Because the Soviet supply consists almost entirely of energy products, there are no commodities "which they can sell in West Germany," said Lambsdorff. Gorbachev's reform policy obviously was not sufficient to attain the necessary flexibility in the Soviet economic system.

In Lambsdorff's view, the current economic situation is "sturdy," now that the exchange rates have been stabilized and now that export opportunities can once again be viewed in a more favorable light. On the other hand, because of losses during the first few months due to the long and hard winter, a real increase of 2.5 percent of the national product can no longer be achieved for the 1987 annual average. But there is no need for any additional economic policy measures. He still believes that his recommendation--to the effect that a part of the tax reform should be moved up from 1990 to 1 January 1989--is correct.

In the light of the anticipated general economic real growth of 1.5 percent, one cannot achieve any major decline in unemployment during the current year, he indicated. The parties to the rate contracts must continue to make an essential contribution to the promotion of employment. In his view, the current year's rate agreements were definitely too high. One must not get to a point where the rate negotiation partners become "a cartel that produces unemployment," said Lambsdorff.

5058

CSO: 3620/304

INCREASE IN FOREST DEATH REPORTED NATIONWIDE

Frankfurt FRANKFURTER ALLGEMEINE in German 13 June 87 p 7

[Text] Bonn. Forest damage continues to spread from north to south in the FRG. This is the conclusion drawn from observations made by the Association of Forest Owners. A preliminary report was published in Bonn on Friday. Baron Philipp von Boeselager, president of the Association of German Forest Owners, and executive secretary Joachim Pampe are talking about additional dangerous development in the future. No longer can there be talk of forest recovery in specific areas, such as it was mentioned in the official 1986 forest damage report. Older foliage forests are especially affected right now. Most damage continues to be done to trees in mountain areas, but more and more damage can also be seen along the coast.

The regional damage survey made by forest owners points out that right now the focal points of tree disease on beech and oak trees are in the southern parts of the country. In Lower Saxony too, damage continues to increase especially on beech trees. Most seriously damaged are forest areas in the Harz Mountains as well as in other mountain areas. In Nordrhein-Westfalen damage is again increasing, after clear signs of recovery, in older conifer forests, but also on beech and oak trees. More frequently now there is evidence of damage done to roots.

In Rheinland-Pfalz and in the Saarland new diseases are found especially on pine trees in higher elevations. In Hesse the main damage areas are in the Odenwald, Rhoe Mountains and Vogelsberg. There, too, a clear increase of damage to beech trees is in evidence. The same is true in Baden-Wuerttemberg. In the past weeks an above-average acid saturation of the soil was measured. In Bavaria the over-all picture of tree damage is varied but in general there is relatively uniform new damage to foliage forests.

This analysis does not reflect a numerical assessment of damages. But from the forest owners' point of view there can be no doubt that there is a clear tendency toward increased forest damage. Von Boeselager demands that this tendency must finally lead to political consequences, most importantly the prevention of damage. In addition, forest owners should also receive damage compensation.

Von Boselager believes that the most urgent measures are cleaning the air more effectively and gradually making traffic friendlier toward the environment. He says it is frightening to find out how few car owners use anti-pollution devices like those required by law in the United States. There has been no significant progress in adjusting older cars. The original estimate of equipping more than three to four million cars with anti-pollution devices has not proven accurate. The Association of Forest Owners demands therefore that a speed limit is imposed on all drivers who have not rebuilt their cars by 1990. Those who don't use anti-pollution devices must drive more slowly, says von Boselager.

The association continues to demand legal regulations of compensation payments for forest damage because a forest owner whose property was damaged cannot prove who exactly caused the damaging air pollution. Without such proof, however, the laws currently in effect do not grant compensation claims.

8889

CSO: 3620/251

EC ECONOMIC COOPERATION NEEDED TO SAVE ENVIRONMENT

Duesseldorf HANDELSBLATT in German 15 Jun 87 p 5

[Text] Bonn. Damage to forests has increased in the FRG. The greatest damage is noticed in older foliage tree forests. This was pointed out on Friday in Bonn by the Association of German Forest Owners which, at the same time, made extensive demands of the country as well as the individual states.

Federal Economics Minister Ignaz Kiechle attended a meeting of the association's main committee which heard a report on the actual status of forest damage. At this meeting association representatives from the different states reported on the situation in their areas. From these reports the association gives the following summary of the total picture:

Schleswig-Holstein: Clear indications of increased damage in older forests, especially to beech and oak trees. New damage centers found especially in the southern parts of the state.

Lower Saxony: Forest damage continues to increase.

Hesse: Main damage centers are Odenwald, Roehn Mountains and Vogelsberg. Clear indications of increased damage to beech trees. Root damage in older foliage forests.

Baden-Wuerttemberg: Increasing damage especially to leaf-bearing trees. Large amounts of precipitation in recent weeks indicate excessive acid contents.

Bavaria: Damage levels vary considerably but in general terms there is definite evidence of increased damage in foliage forests.

Baron Philipp von Boeselager, chairman of the Association of German Forest Owners, drew the following conclusions and made the following demands:

Additional and even stronger measures against air pollution so that by 1993 at the latest half of the causes of forest damage (as compared with 1983) have been eliminated.

A change in the currently valid law which decrees that the actual cause of damage must be proven before restitution claims can be submitted.

OIL INTERESTS IN GULF DECLINE, WAR HURTS EXPORT INDUSTRY

Fewer Exports to Gulf States

Duesseldorf WIRTSCHAFTSWOCHE in German 31 Jul 87 p 39

[Text] Although five West German ships have been attacked in the Gulf region since 1984, managers of West German oil companies merely shrug if asked about economic implications of the Iran-Iraq war. The reason: more than one-third of the FRG's crude oil now comes from secure sources in the North Sea. Since 1980, West German dependence on Arab supplies has been systematically reduced. The West German oil industry now obtains less than 5 percent of its total requirements from the directly endangered Gulf region.

In the long run, it is true, the Gulf states, which possess over half of the world's known oil deposits, will be indispensable for supplying the industrialized countries, according to West German Shell AG in Hamburg. In the short term, however, a reduction in supplies from this region would pose no problem.

But the West German trade and export industry is already feeling the consequences of the seven-year war. Not only Iran and Iraq but the neighboring Gulf states as well are suffering from dwindling foreign exchange receipts as their nervous oil customers withdraw from the crisis area in general. As a result, the development of traditionally good economic relations between the Arab states and the FRG is encountering ever greater barriers.

The West German Institute for Oriental Studies describes the unfavorable atmosphere in the Gulf states: "The investment climate is poisoned, trade no longer functions, the business outlook is poor and there is very little investment." For example, German exports to Kuwait declined by 43 percent in the first four months of this year, and deliveries to Bahrain declined by 40 percent.

Business with Iran and Iraq--even in the 1970's both countries were important customers for the German export industry--is practically non-existent. According to the Near and Middle East Association in Hamburg, orders from Iran have recently declined by as much as 90 percent. West German deliveries to Iraq declined in the first four months of this year by another 71 percent following several years of steadily declining export figures.

For foreign exchange reserves of some Gulf states are melting away "like snow on a sunny day," according to West German experts--a consequence not only of the Gulf war but of lower oil prices of the past few years as well. Stubborn rumors persist that the Sheikdom of Kuwait could soon be forced to convert lucrative holdings in Western industries purchased with petrodollars in the 1970's and 1980's into cash. Blocks of shares in German companies like Daimler-Benz, Hoechst, and Metalgesellschaft may soon be seeking new owners.

Principal Oil Suppliers

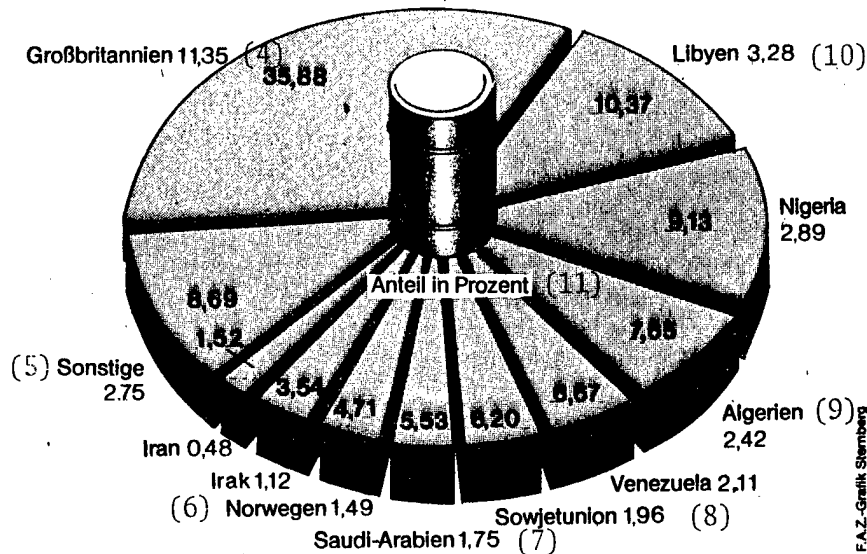
Frankfurt/Main FRANKFURTER ALLGEMEINE in German 7 Aug 87 p 12

[Text]

Kaum noch Öl vom Golf (1)

Haupt-Rohöllieferanten der Bundesrepublik Deutschland von Januar bis Juni 1987
in Millionen Tonnen (2)

Gesamteinfuhr für das erste Halbjahr 1987 (3)
31,61



Quelle: Bundesamt für gewerbliche Wirtschaft (BAW) Eschborn (12)

Key:

- | | |
|--|---|
| 1. Hardly any more oil from the Gulf | 6. Norway |
| 2. The FRG's principal oil suppliers, January-June 1987, in millions of tons | 7. Saudi Arabia |
| 3. Total imports for the first half of 1987 | 8. Soviet Union |
| 4. Great Britain | 9. Algeria |
| 5. Other | 10. Libya |
| | 11. Share in percent |
| | 12. Source: Federal Office for Trade and Industry (BAW), Eschborn |

/9274

CSO: 3620/0320

UNEXPECTED DOWNTURN IN MACHINE BUILDING INDUSTRY

Frankfurt/Main FRANKFURTER ALLGEMEINE in German 9 Jul 87 p 11

[Article by "pso": "Unforeseen Slump in German Machine Building Industry--Orders Received Down 6 Percent in Real Terms--Machine Tool Industry Especially Hard Hit"]

[Text] Frankfurt, 8 July--The German machine building industry cannot see any sign of a revival of the domestic investment boom. According to the most recent study by the Association of German Machinery and Equipment Manufacturers, orders in the machine building industry were down by six percent in real terms in May of this year as against the same month a year ago. The association report notes a 10-percent decline in domestic orders and a two-percent drop in foreign orders. The more meaningful comparison between the first five months of 1986 and 1987 reinforces this picture. Orders up to May 1987 were 10 percent below the orders for the first five months of 1986. Domestic orders declined by nine percent and foreign orders by 12 percent.

As recently as last June, the Bundesbank spoke of a stronger trend toward investment by German industry, as evidenced by the fact that more capital goods were being ordered from German manufacturers. When questioned about this, a spokesman of the machine building association notes that the Bundesbank probably relied on intuition rather than facts in reaching its conclusion. The cold figures reflected quite the opposite. The fact is that the Bundesbank drew on the Ifo business climate polls (among other data) for its assessment. Ifo, a Munich research institute, tests the business climate in the FRG at regular intervals by means of the random sampling method.

Nor did the most recent figures bear out the expectations of the association itself. In late May, the association declared that the number of orders received pointed toward a stabilizing trend. Just 6 weeks ago, the situation in the machine tool, rubber and plastic machinery industry was still being portrayed as being particularly good. But these very manufacturers are now reporting a drastic decline in orders. In real terms, orders for machine tools were down 45 percent in May 1987 as compared to May of last year--with domestic orders declining by 55 percent and foreign orders by 34 percent. Domestic orders for rubber and plastic machinery were down 27 percent and foreign orders declined by 18 percent.

So far, the association can offer no definite explanation as to why orders are declining. One spokesman believes that the machine tool manufacturers are now becoming victims of their lengthy delivery times. Orders placed with some of these firms take far more than 12 months to reach their destination. The German textile machinery industry which currently has extremely long delivery times continues to receive a great many orders because its position on the world market still is virtually unchallenged. The machine tool industry, on the other hand, is beginning to feel the effects of Japanese competition, the association points out. The Japanese manufacturers have made increasing inroads into the European market to make up for a self-limiting export agreement which has cut into their sales in the United States.

The association is unable to provide current job figures in the machine building industry. The last time the industry was operating at 90 percent of capacity was in March 1986, i.e. at full capacity from the industry's own point of view. In September 1986, it was operating at 88.4 percent and in March 1987 at a mere 85 percent. Based on the most recent review of orders received, the association believes the capacity utilization of the German machine building industry will once more decline sharply.

9478

CSO: 3620/282

KRUPP REDIRECTS OUTLAYS FROM STEEL TO MORE PROFITABLE AREAS

Duesseldorf HANDELSBLATT in German 7 Jul 87 p 13

[Article by "tio": "Rising Research Expenditures Concentrate on Machinery, Facilities"]

[Text] Essen--In the past, the Krupp concern was often accused of spending too much time on dealing with the past and not focusing enough on future technologies. But in 1987, the firm will spend even more on research and development than in 1986 when these expenditures were increased by more than 25 percent to DM 300 million.

According to Wilhelm Scheider, the firm's board chairman, 90 percent of the R&D expenditures will be spent on machinery and equipment and in particular on electronics, process engineering, metallurgy and materials. Gerhard Neipp, a member of the board, said that the expenditures make up six to eight percent of turnover in some of the research-intensive subsidiaries of the concern. He also pointed out that the firm is presently spending more on the acquisition of licenses than it earns in selling licenses to others.

For another thing, the concern has acquired other firms in various fields, e.g. electronics. In February 1987, it acquired 85 percent of the stock of Melchert Elektronik Ltd, Cologne, a manufacturer of printed circuit boards and there is interest in additional acquisitions. According to Scheider, Krupp has also expanded in the software sector. Its sales of DM 80 million make it one of the 10 biggest producers in this field in the FRG. There are plans to expand this position still further.

For decades, the Krupp name was synonymous with shipbuilding among other things. In fact, Krupp started building ships at the Germania Shipyards in Kiel in 1896. But since 1986, when the Seebeck Shipyards were incorporated into the overall program of the Bremen shipbuilding industry as part of a "comprehensive restructuring operation," Krupp has been without an ocean-going shipbuilding subsidiary. The concern is presently looking for an economically acceptable solution to the problem of its sole remaining shipyard, the small Ruhrort operation, which had sales of DM 20 million and incurred losses of almost DM 9 million. Krupp has also relinquished its interest in the Seebeck shipyard and, by extension, in its partnership in the VFW holding company which holds 10 percent of the capital stock of MBB. The reason given for this

is not a lack of future prospects but a lack of "entrepreneurial possibilities." The loss of investment capital which climbed from DM 85 million to DM 202 million is tied to these fluctuations on the assets side of the balance sheet.

The concern, one of the oldest and still one of the best known in Germany, provides proof once more that age and obsolescence are by no means synonymous. According to Scheider, Krupp has good reason to hope that it will soon receive a number of orders tied to the ICE high-speed passenger train project. The concern is the primary contractor for the mechanical side of the project. "If the German Railroads place the train in service," says Scheider, "this will be a major recommendation for this sophisticated technology on the world market." Business has picked up in the Diesel-electric locomotive field, which has switched to three-phase current, a technology that has proved attractive on the export market. It is worth noting in this connection that Krupp's growth in the middle of the 19th century was due as much as anything to the rapid growth of the railroad industry.

In Scheider's view, Krupp's future lies to a large extent in machinery and plant construction, using sophisticated technology such as electronics. Viewed from this angle, the distribution of profits in 1986 is somewhat irregular. The total annual surplus before taxes was DM 211 (258) million. Steel accounted for DM 83 million of this amount; commercial sales for DM 48 million; machinery and equipment for DM 14 million and interest and other earnings by Krupp Holding for a total of DM 66 million. The meager earnings in the machinery and equipment sector were due to the DM 84 million loss incurred by the Walther Group (fire protection) and the loss of more than DM 23 million by Polysius. More positive results were achieved by Atlas Electronics, Koppers, MAK and Widia.

"The major companies of the Rhine-Ruhr area are doing everything in their power to save as many jobs as possible and to make them more secure," Scheider says. "Nevertheless, they are unable single-handedly to offset the inevitable loss of jobs in the steel sector by embarking on new activities, e.g. in machinery or plant construction. In the final analysis, that must be done in the first instance with the help of a forward-looking structural policy by the government."

Scheider deplores the fact that workers are not always willing to retrain and that mobility still is poorly developed. When the more than 1,000 Wuppermann employees in Leverkusen were offered jobs in Rheinhausen, only a few accepted and even fewer stayed at their new place of work. The 1986 final report, drawn up in accordance with the new commercial law, shows an improvement in company resource ratios in conjunction with a slight rise in annual surpluses. The DM 40 million surplus is divided between the two joint owners of the firm, i.e. 75 percent goes to the Alfried Krupp von Bohlen und Halbach Foundation and the remaining 25 percent to the Iranian government. "Our financial foundation is solid," Alfred Lukacs, the concern's chief financial officer says. "It will permit expansion of the firm even in difficult times." During the first 5 months of 1987, orders placed with Krupp Welt declined from DM 7 billion to DM 5.8 billion and foreign sales declined by 15 percent to DM 5.2 billion. Sales

levels in the machinery and equipment field remained almost constant while earnings in steel, commercial sales and services declined.

Krupp Concern Balance Sheet

	1985	1986
in DM millions		
Foreign Sales	18,479	15,487
Percentage Change	+ 1	- 14
Percentage of Exports	43	41
Total Sales	20,661	18,081
Machinery+Equipment	8,059	7,613
Steel	6,305	5,882
Commercial Sales + Services	6,297	4,586
Orders Received	16,900	15,400
Percentage of Foreign Orders	40	38
Unfilled Orders	9,800	9,100
Work Force	67,402	68,403
Percentage Change	+ 2	+ 1
Total Expenditures	17,755	15,606
Percentage of Manpower Expenses	22	26
Percentage of Material Expenses	66	61
Gross Cash Flow*	812	781
Annual Surplus	123.8	126
Total Investments	872	872
Budgetary Investments	763	841
Capital Resources (including capital stock)	1,944	2,041
Capital Stock	700	700
Balance Sheet Total	10,813	10,837
Percentage Capital Resources	18	19
Indebtedness Ratio**	3.0	3.5

Explanations:

* Annual surplus + EEV [Method for Direct Debit Authorization]-taxes + depreciation write-offs + appropriation for arrears in retirement pay ± extraordinary items

** Net indebtedness to Gross cash-flow

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CSO: 3620/282

BRIEFS

TAXPAYERS SKEPTICAL ABOUT TAX REFORM--Fifty-six percent of FRG citizens do not believe that the planned tax reform will bring them any noticeable financial advantage. This is the result of a representative survey of 1,008 citizens undertaken by the Emnid-Institute at the request of WIRTSCHAFTSWOCHE. Only 14 percent of those questioned believed that they would benefit personally while 30 percent were undecided. [Text] [Duesseldorf HANDELSBLATT in German 17 Jul 87 p 6] /9274

FEWER MACHINE BUILDING CONTRACTS--In June of this year, German machine and plant builders received 13 percent fewer contracts than in June of 1986. According to the Machine Builders Union, orders from abroad were down 16 percent and domestic orders were down 10 percent. The union had more or less expected this decrease since an unusually large number of machine orders had been placed last June. In the 3-month period from April to June--a period which is less subject to short-term fluctuations--orders for machine building were down 12 percent. This represented a 14 percent decrease in domestic orders and a 10 percent decrease in orders from abroad. [Text] [Frankfurt-Main FRANKFURTER ALLGEMEINE in German 30 Jul 87 p 9] /9274

CSO: 3620/0316

AGREEMENTS FOR 10 JOINT ENTERPRISES TO BE SIGNED WITH USSR

Helsinki HELSINGIN SANOMAT in Finnish 21 Aug 87 p 29

[Text] Turku. Finland and the Soviet Union intend to sign agreements by the end of this year for ten joint enterprises. Commercial representative Vladimir D. Pugin said that the Soviet Union has received offers from a total of 50 Finnish firms.

Of these offers, 30 were immediately rejected, since they were aimed exclusively at markets inside the Soviet Union.

Speaking before a seminar sponsored by the Turku Chamber of Commerce, Pugin stressed that joint enterprises must be of benefit to both parties.

This new form of enterprise is connected with the Soviet Union's economic reforms, and its objective is to promote Soviet exports. The Soviet Union has already joined together with Western countries in seven joint projects, with three of the joint companies being Finnish enterprises.

Know-how From the West

In a presentation on the effect of Soviet economic reforms, Assistant Professor Urpo Kivikari of Turku University said that Finns would be offered a deal to organize in Finland a training course in foreign trade to be taught in English for personnel of the future enterprises. At the same time, those being trained would be put into contact with Finns involved in Western markets, and would naturally be able to initiate export and production deals in Finnish markets.

A condition for success of Soviet trade is also going to be the ability of Finland to keep pace with European technological developments. "Only by keeping pace with the world in general--in this case with the Europeans--and the leading edge of technology, will a joint company remain interesting also for the Soviet Union," predicted Minister Tankmar Horn in discussing the direction of Soviet trade.

Finnish firms have most often acquired supplementary technological know-how from the West and then adapted it for the Soviet customer's needs, while maintaining their control over the job. This has been a central factor.

"Accordingly, our entire foreign trade policy is approaching the time when some fundamental questions are going to have to be asked, and right now the most immediate of these is how we are going to be able to stay abreast with European technological and integration developments, while assuring in the best manner possible that our economy and entire society will derive advantages," Horn said.

Only by keeping in pace with general European trends will Finland be able to create new solutions and new technologies also in the areas of practical production cooperation with the Soviet Union, according to Horn.

On the other hand, Horn believes that in introducing elements of production cooperation, it would be necessary also to develop those areas in which the Soviet Union's prodigious research efforts could be flexibly adapted to production in Finnish industry. Another form of activity might also be marketing cooperation, with a good example of this being the recently made agreement on satellite photos.

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CSO: 3617/136

FELDT ISSUES TAX POLICY REPORT

Would Promote Savings

Stockholm SVENSKA DAGBLADET in Swedish 18 Jun 87 p 6

[Article by Herman Melzer]

[Text] The government now wants to ban zero taxation. Minister of Finance Kjell-Olof Feldt is giving the new commission on taxes a direct instruction to see what can be done to stop zero taxation.

Zero taxation is discussed as part of the other questions. The minister of finance indicates how it could be stopped.

"One possibility is to introduce rules saying that taxable income shall always equal a certain percentage of combined income," say the terms of reference.

We asked: "Is this the first time that zero taxation has been examined by a government commission?"

"Yes. Until now it has come up only in the general debate, but it has never been the actual subject of a commission report," said Minister of Finance Kjell-Olof Feldt when SVENSKA DAGBLADET met with him in his office late Wednesday afternoon.

Income Tax

On the whole, most of the ideas contained in the outline of a new tax system as presented by Feldt last January have survived.

The commission is to answer the question of how much we are going to pay in income tax and, above all, how high marginal taxes are going to be. The intention is that the commission's recommendations will be in effect when we file our returns in February 1991.

But the minister of finance does not feel that the commission's most important task is to reduce marginal taxes.

"No," says Feldt. "It is just as important to broaden the tax base and to be able to reform the taxation of capital. If we just wanted to lower marginal taxes and not worry about what it would cost, we wouldn't need such a major review of taxes. We could knock that together right here in 15 minutes. We already have the models for it."

Even so, the minister of finance notes in his instructions to the commission that something must be done about the tax rate schedules. It is not mentioned in those instructions, but a Social Democratic campaign promise in 1985 said that most of the population would not pay more than 50 percent in income tax.

The instructions state: "Under the current tax rate schedules, a majority of those working full time will probably be paying 64 percent or more in marginal taxes."

Tax Evasion

Nothing is said about how high marginal taxes are to be. Feldt points out that high tax rates are an invitation to tax evasion and tax planning.

This year's tax debate has not been concerned only with marginal taxes affecting incomes at the top. Incomes at the bottom of the scale have been equally debated, with attention centered on the basic deduction. In the case of this year's income, the first 9,000 kronor one earns are tax free. Next year, the basic deduction will rise to 10,000 kronor. The basic deduction has caused a split among the nonsocialists, and last Tuesday, the Liberal Party announced that it wanted to keep the basic deduction.

"Even so, the Liberal Party wants to reduce the basic deduction, so at least there is something to talk about," commented Feldt.

The minister of finance is surprised at the Liberal Party's action:

"I find it remarkable that the Liberal Party, which was pushing the demand for a commission the day before that commission was appointed, should now be announcing a very detailed proposal.

"The Liberal Party is starting at the wrong end. We can't lock in marginal taxes before we decide the rest of what we want to do," said Feldt.

Precisely as before, the minister of finance is insisting that the basic deduction must be abolished. But in his instructions to the commission, he leaves room for compromises. Feldt repeats what he said earlier: it is not right that a full-time worker's hourly earnings should be taxed at a higher rate than the same hourly pay received by a part-time worker.

In his tax outline, the minister of finance wanted to increase the standard deduction to 10,000 kronor while at the same time abolishing the basic deduction.

Eliminate Travel Deduction

The reason why Feldt wants to increase the standard deduction is that more and more people are coming up with enough small deductions to exceed the 3,000-krona limit. And in that case, the new simplified income tax return cannot be used--one must file a return in the old way.

Feldt has heard the fear expressed in some quarters that people with high travel expenses might lose their travel deduction. His instructions stress the possibility of retaining the travel deduction for those who have very high travel expenses.

Another major portion of the commission's work has to do with the fact that income from capital is taxed in various ways. The tax on bank savings interest and stock dividends, for example, is much higher than that on the income from selling a house or cooperative apartment that has been held for several years.

Encourage Savings

Feldt wants to make it more profitable to save and less profitable to borrow. The minister of finance also levels open criticism at a Social Democratic invention: the public savings account. That plan has done little to increase savings. Too much money in the public savings accounts consists of assets that were simply transferred from other accounts.

According to Feldt, one way of taxing capital would be to tax homes and summer cottages separately from other property on the tax return. Income from houses would then be included under the heading of capital income. Profits and losses under the heading of casual income--stocks, for example--would also be included as capital income.

What Feldt wants to do is make sure that all income and expenses not directly related to labor income are reported under the same heading. The balance will then be taxed uniformly, meaning that the tax will then be the same whether one sells stocks or summer cottages.

Real Taxation

Despite that, there may be a special solution in the case of stocks. Feldt says in his instructions that it may be necessary to consider some kind of reference figure. Feldt also wants to limit the deduction for losses. The possibility of creating an artificial loss to offset a profit is to disappear completely.

Feldt expects the changes in the taxation of capital to increase the state's tax revenues. He also wants a study of real taxation--in other words, a taxpayer could deduct only that portion of his debt interest which does not represent inflation. Feldt says the system is complicated, but he wants it studied anyway.

The new method of taxing capital will place a limit on the value of deductions. The owners of heavily mortgaged homes and cooperative apartments might come off very badly here. The minister of finance is therefore recommending transitional measures in such cases. The commission will also try to come up with a uniform system so that the same rules will apply whether a house or a cooperative apartment is being sold.

Nothing is said about whether the commission should concern itself with real estate taxes. But since the instructions include a change in the revenue from real estate, that is the same as abolishing reference revenue, with the result that real estate taxes will have to be increased, according to Feldt's tax outline.

Lower Tax Burden

The commission, which will be headed by Feldt's under secretary, Erik Asbrink, is to show how the new tax system will be paid for. It is to be financed in its entirety. Feldt therefore does not want to lower the tax burden.

The commission will also decide how energy should be taxed. In addition, this commission will look into the question of whether to tax durable goods (video cassette recorders and microwave ovens, for example).

On the other hand, the instructions state that there is to be no reduction in the value-added tax on food. The commission will determine whether the tax reduction for male homemakers and single persons with children--worth 1,800 kronor per year--can be eliminated.

Favorable Response

Comments concerning both of the minister of finance's tax policy reports are predominantly favorable.

Liberal Party leader Bengt Westerberg applauds the fact that Feldt's instructions are broad enough to allow discussion of the issues considered most important by the Liberal Party: lower marginal taxes and a uniform system for taxing capital.

The Conservative Party's tax expert, Lars Tobisson, regrets that we will be into the 1990's before a tax reform can be put into effect, but he appreciates the fact that the government now wants to discuss a lowering of marginal taxes.

On the other hand, he regards as "illogical thinking" the government's idea that the reduction must be paid for by further limitations on deductions. Tobisson is cautious in his comments on the steps to be taken against people who pay no taxes:

"The natural way to deal with zero taxation is to reduce taxes and thereby make it less worthwhile to show a loss."

Tommy Franzen of the VPK [Left Party-Communists] welcomes in particular the opportunity to discuss deductions for losses. They should be done away with, he says. Franzen also feels that there is room for a discussion of local taxes, which strike hardest at low-income individuals.

Conservative Paper Attacks Policy

Stockholm SVENSKA DAGBLADET in Swedish 18 Jun 87 p 2

[Editorial: "Feldt's Fiasco"; slantlines indicate italics]

[Text] It is hard to decide whether Kjell-Olof Feldt is about to trip over his own ideas or whether it is Malm's red roses in the [Social Democratic] movement which are bringing down Feldt--or, more precisely, his ideas about a comprehensive tax reform. But regardless of the background, there is not much left of Feldt's tax outline from last spring now that the government is issuing instructions to the big parliamentary commission on taxes.

Radio reporter Thomas Hempel aptly expressed it on yesterday afternoon's "Environmental Staff" program: "Much of what Feldt wants to have studied can be found in the tax outline he presented last spring." And so it can. Something that was a reasonably well-developed proposal a few months ago has now become a vague possibility to be considered by Feldt's party comrades. What Feldt wanted to /carry out/ a few months ago is now being /studied/ by other forces in the movement.

The implication in the fairly general terms of reference is that the initiative is getting away from Kjell-Olof Feldt and his immediate circle in the Ministry of Finance. Instead, all the various interests to be found in the union movement and the Social Democratic Party are now going to have their say.

It is not especially difficult to predict what all this will lead to; in fact, it can almost be seen in the terms of reference. A new and "comprehensive" reduction in marginal taxes will bring marginal tax rates back to the level that resulted from the tax compromise reached on the "miraculous night" in 1981. For that restoration of the tax rates, the taxpayers will have to pay a high price in the form of further limitations on what they can deduct.

And that will put the tax policy on the exact road that SVENSKA DAGBLADET predicted during the debate over the "miraculous night." We said that with inflation-proofing eliminated from the tax rate schedules, depreciation of the money would gradually lead to higher marginal taxes. And that after that process had continued for a few years, it would again be time to push through a "major" reform of marginal taxes, at which time a little more of our deduction entitlement would be taken away.

By that process, it would be possible to reduce the marginal tax to 50 percent again and again. After a few reforms like that, the entire deduction entitlement would be gone.

At the rate at which the Social Democrats are now going, the last remains of the deduction entitlement are going to disappear in the early 1990's. And when that happens, the Swedish people will have lost every chance of doing any tax planning. To say it another way: when that time comes, the basically confiscatory approach which lies behind Social Democratic thinking on taxes will finally find full expression. No private citizen will be able, by his own efforts, to free himself of the tax state's coercive grip. We will all become equally poor in the Social Democratic utopia.

That is not how Kjell-Olof Feldt views the matter. But thanks to his own incompetence or to superior opponents in the Social Democratic movement, he is the one, if indeed his party remains in power, who will have to administer such a development. That is guaranteed by the general instructions issued to the commission on taxes, because as a result of those instructions, Feldt is losing all power and influence over the tax policy.

We wrote yesterday that the tax proposal presented by the Liberal Party's party board the day before might turn out to be something of a milestone in nonsocialist political developments. Together with the Conservatives, the Liberal Party could now form a front on the tax issue.

The instructions to the commission on taxes further underscore our assessment. Following the events of the past 2 days, it is not especially daring to speculate that the tax issue is on the way to becoming the completely dominant political issue in Sweden. The Social Democrats certainly want to keep that from happening, and therein lies part of the explanation for the general terms of reference issued to the commission. And certainly a dangerous fuss is being made about the Environment Party's figures in the public opinion polls: many commentators and political observers are imagining that for the foreseeable future, Swedish politics is going to be concerned with the environment.

But it is the task of the nonsocialist parties to determine the political agenda. And with all due respect to the traditional issues of environment and pollution, if the Social Democrats are allowed to push through in Sweden the tax policy that is emerging from the commission's terms of reference, even the trees will weep.

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CSO: 3650/176

TEACHER EXCHANGE WITH USSR TO START

Frankfurt/Main FRANKFURTER RUNDSCHAU in German 5 Jul 87 p 1

[FR correspondent Reinhard Voss report: "Teaching and Learning in Exchange. Agreement Between Soviet Republic and North Rhine-Westphalia a Milestone"]

[Text] Duesseldorf, 5 July. Beginning in September with three educators from each country, the Russian Soviet Federated Socialist Republic (RSFSR) and the state of North Rhine-Westphalia will initiate a hitherto unprecedented teacher exchange program between schools in the Soviet Union and the Federal Republic. This was the agreement reached on the weekend by Georgi Petrovich Veselov, the minister of culture of the RSFSR and his North Rhine-Westphalian counterpart Hans Schwier (SPD) at the close of a week-long visit of a Soviet delegation in Duesseldorf. To start with, the German and Soviet teachers are scheduled to teach at a school in the host country for 3 months each. Veselov and Schwier are also in basic agreement on plans for an exchange of pupils between the two states. Experts from both sides will work out the details in the next few weeks.

The North Rhine-Westphalian minister of culture and his Moscow colleague became acquainted with each other during a North Rhine-Westphalian state exhibition in the Soviet capital a few months ago. In Duesseldorf, looking back on that first meeting, Schwier expressed the opinion that both partners had become "curious about each other." Schwier: "In this curiosity lies the chance for a real encounter with the other's culture and way of life. Only thus can we develop understanding and trust in each other."

Aside from cultural questions, the Soviet guests had shown particular interest in new information and communication technologies and had therefore visited, among other things, the Society for Mathematics and Data-processing, as well as the offices of the national competition in "Information Processing" in St Augustin. In the agreement signed in Duesseldorf on Saturday, the proposed areas of future emphasis were an interchange of experience on the subjects of computers in the schools and the vocational training of young people in such technologies.

SIZEABLE POPULATION DROP PREDICTED FOR NRW

Duesseldorf HANDELSBLATT in German 24 Jul 87 p 4

["Population/Changes in the Age Pyramid. In the Year 2015 Only 14.7 Million Inhabitants in NRW."]

[Text] hek Duesseldorf. North Rhine-Westphalia, the most heavily populated state, whose present population is 16.7 million, will have only 16.2 million residents in the year 2000 and, 15 years later, only 14.7 million.

This is shown by North Rhine-Westphalia government report on population development. According to this, NRW's population will diminish by 2.8 percent by 2000 and by 12 percent by 2015. These losses are primarily result of the fact that more people are dying than being born. While this difference is said to run around 25,000 people per year in the 1980's, it is expected to rise to approximately 70,000 in the year 2000 and to more than 100,000 in the years following 2005.

The shifts in the age structure that have already become evident will continue, State Secretary Klaus Dister Leister, head of the state's chancellery, pointed out. According to estimates, the number of children and teenagers will diminish by almost a third by the year 2015. The number of retired persons, however, will increase by 24 percent by the turn of the century. By 2015, after a slight decline, this age group will be 16 percent larger than it is today.

A comparison between the development of the German and the foreign population shows distinct differences. While the number of Germans will decline from 15.3 million (at the beginning of January 1986) to 12.8 million by 2015, the number of foreigners will rise from 1.3 million in 1986 to 1.9 million by 2015. The percentage of the total population represented by foreign nationals will thus rise from its present 8 to 12.8 percent. Of course, the behavior of foreigners with regard to immigration and emigration is hard to predict and dependent upon political decisions, besides.

For the working-age segment of the population (19- to 59-year-olds), a slight increase of 100,000 persons by the end of the 1980's has been estimated. In the further course of the period embraced by these predictions, the number of people of working age is supposed to decline again; in comparison to 1986, around 7 percent by 2000 and 15 percent by 2015.

In the academic field, a decline in the number of freshmen and students in general should be expected midway through this period. In contrast, the number of university graduates will continue to increase for a while.

Not only the large cities on the Ruhr, but also those in the Berg country (Remscheid, Solingen, Wuppertal) and on the Rhine track (Duesseldorf, Leverkusen, Cologne) must be prepared for a population loss of over 5 percent by the turn of the century. To what extent an exodus should be expected as a result of the crisis in the coal and steel industries has not been investigated. Leister: "It is my impression that structural problems affect population development only very marginally." The residents of the Ruhr area were said to be much more permanent than is frequently assumed.

Furthermore, Leister called for the elimination of social discrimination against families and the improvement of living conditions for children, parents, and families. For instance, the compensatory measures for the adjustment of family tax burdens were neither just nor adequate. He shares the opinion of the past president of the federal constitutional court, Professor Zeidler, that by international standards "German tax laws are indeed pro-marriage, but distinctly hostile to the family." In addition, the head of Duesseldorf's state chancellery declared himself in favor of giving greater attention to the needs of the elderly than has hitherto been the case. The opportunities for outpatient and partially residential hospital care should also be enhanced.

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